

ANNUAL BUDGET OF

NKETOANA LOCAL MUNICIPALITY

2017/18 TO 2019/20
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS

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Table of Contents

PART 1 – ANNUAL BUDGET	2
1.1 MAYOR’S REPORT	2
1.2 COUNCIL RESOLUTION	9
1.3 EXECUTIVE SUMMARY	13
1.4 OPERATING REVENUE FRAMEWORK	15
1.5 OPERATING EXPENDITURE FRAMEWORK.....	27
1.6 CAPITAL EXPENDITURE	32
1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY.....	33
 PART 2 – SUPPORTING DOCUMENTATION	 56
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS	56
2.2 BUDGET PROCESS OVERVIEW	57
2.3 COMMUNITY CONSULTATION, IDP AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN	58
2.4 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET AND IDP AND STRATEGIC OBJECTIVES	59
2.5 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS	64
2.6 OVERVIEW OF BUDGET RELATED-POLICIES	66
2.7 OVERVIEW OF BUDGET ASSUMPTIONS	68
2.8 OVERVIEW OF BUDGET FUNDING.....	69
2.9 COUNCILLORS AND EMPLOYEE BENEFITS.....	70
2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW	73
2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS	75
2.12 LEGISLATION COMPLIANCE STATUS	75
2.13 MUNICIPAL MANAGER’S QUALITY CERTIFICATE	ERROR! BOOKMARK NOT DEFINED.

Abbreviations and Acronyms

AMR	Automated Meter Reading	MFMG	Municipal Financial Management Grant
ASGISA	Accelerated and Shared Growth Initiative	MFMA	Municipal Financial Management Act
BPC	Budget Planning Committee	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MM	Municipal Manager
CPI	Consumer Price Index	MMC	Member of Mayoral Committee
DBSA	Development Bank of South Africa	MPRA	Municipal Properties Rates Act
DoRA	Division of Revenue Act	MSA	Municipal Systems Act
DWA	Department of Water Affairs	MSIG	Municipal Systems Improvement Grant
EPIP	Environmental Protection and Infrastructure Programme	MTEF	Medium-term Expenditure Framework
EPWP	Expanded Public Works Programme	MTREF	Medium-term Revenue and Expenditure Framework
FBS	Free basic services	NERSA	National Electricity Regulator South Africa
GDP	Gross domestic product	NGO	Non-Governmental organisations
GFS	Government Financial Statistics	NKPIs	National Key Performance Indicators
GRAP	General Recognised Accounting Practice	OP	Operational Plan
HR	Human Resources	PMS	Performance Management System
IDP	Integrated Development Strategy	PPE	Property Plant and Equipment
IT	Information Technology	RBIG	Restructuring Bulk Grant
kl	kilolitre	SALGA	South African Local Government Association
Km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
KWh	kilowatt		
l	Litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		

Part 1 – Annual Budget

1.1 Mayor's Report

Introduction

Honourable Speaker, Cllr. Mokoena

Fellow Councillors

Ward Committees

Community leaders

Business sectors

Baahi

Distinguished guests

Ladies and Gentlemen, Dumelang

Honourable Speaker, thank you for the opportunity to allow me to address this council sitting, and it is a privilege to present my first Budget speech as the Mayor of the municipality.

I am concerned about the trend of shrinking government income against a fast-growing indigent population which is due to the downgrading of our economy to junk status. The fact that national government is reducing its financial obligations to municipalities while poverty escalates, is a setback. However, the country is experiencing tough economic challenges which increasingly compel us to be dependent on our own financial resources.

Only those municipalities who endeavor to strategically and proactively manage their sustainability will survive.

Although the compilation of this year's budget was difficult and complex, it offers hope for the future.

Mr Speaker Electricity and water have become more costly and the difference between municipal and ESKOM rates has increased. This exposes more burden on the municipality's financial responsibilities.

During our last strategic session the municipality identified the following key priorities were identified for the new council.

This budget takes into account these priorities listed below:

- Municipal Financial stability.
- Deteriorating municipal infrastructure.
- The Growing public expectations of the municipality.
- The Water demand due to expulsion of our townships v/s water losses
- Land availability for township establishment
- The Clean environment

The municipality has noted Key Service Delivery Improvements to mention but a few;

- **From the Office of the Municipal Manager**
 - We have functional Audit Committee
 - We have established a Risk Committee
 - We have established mSCOA Steering Committee and Project Team
 - We have functional Performance management system
- **From Department Corporate Services**
 - The Filling of critical, vacant posts.
 - Training of employees.
 - Formulation of policies and By – laws
 - Instilling of discipline amongst staff members
- **From Department Community Services**
 - Mamafubedu Sports Facility (Complete)
 - Ntha Park (Complete)
 - Removal of illegal dumps in certain areas such as leratswana and mamafubedu
 - Maintenance of sports and recreational facilities as well as cemeteries
 - Establishment of LED projects
 - Assisted with the registration of SMME's and cooperatives
- **Under the Department Technical Services**
 - Electricity
 - 64 Infill households were connected in Ntha Ext.5.
 - Two Substations Switchgears were upgraded (Reitz Main and Lindley Main Substations.
 - 400m, 11KV line was installed in Ntha Ext.5, during Phase 3 Electrification.
 - 03 Electrician Apprentices were appointed.
 - Daily repairs and Maintenance of Electricity Infrastructure was being done.
 - Roads
 - We have resealed roads in Reitz and Lindley
 - We have re-gravelled roads in Lindley
 - We have done road making in all towns
 - And we have cleaned the storm water channels in all units

- Water
 - Improved water maintenance
 - Communal taps were installed in our informal settlements.
 - The quality of water and management of sanitation has improved substantially with the appointment of the Manager Water and Sanitation. Blue drop has been improved from 18.57% in 2012 to 71% in 2014.
- **Finally under the Department Financial Services**
 - Revenue enhancement strategy developed and approved
 - Special intervention in order to prevent fruitless and unauthorized expenditure
 - Started with financial recovery plan in cooperation with National Treasury
 - Increasing the indigent threshold to accommodate more people who were struggling with paying their municipal accounts
 - Campaigns held in different areas in order to register indigents
 - Providing Free Basic Services only to the indigents

CHALLENGES THE MUNICIPALITY TOOK INTO ACCOUNT DURING THE IDP AND BUDGET PROCESS TO MENTION BUT A FEW;

- **The Office of the Municipal Manager**
 - The PMS is well accepted by senior management but must now be cascaded down to lower levels of employment to experience the full benefit of a fully implemented PMS.
 - In the compilation/review of the IDP, Public Participation is always a challenge and the commitment of Council to this process is needed.
 - The lack of several master and sector plans in the municipality has a serious impact on the reliability assessment of the IDP.
- **The Department of Corporate Services**
 - Some critical, vacant posts remain unfilled due to financial constraints of the municipality.
 - Not all employees were given training or skills transfer.
- **The Department of Community Services**
 - Shortage of staff
 - Operating fleet not in working conditions
 - Shortage of tools, machinery and equipment
 - Shortage of dustbins for households
 - Funding that has been reduced for upgrading of sports facilities.
 - Finalization of Port Arlington township establishment
 - Acquisition of a Cemetery software
 - Late or non-funding of approved projects(impact: Consistency with SDBIP)
 - Lack of human/capital resource to implement the sector plans
 - Lack of by-laws

- Non-availability of a credible SDF
- Non-availability of a Transport Master Plan
- Investor confidence caused by water and electricity capacity
- Lack of marketing strategy
- Lack of business skills
- Lack of research skills
- Lack of synergy between the departments in addressing women and youth economic development
- **With the Department of Technical Services**
 - Water and Sanitation
 - Lindley clean water reservoir is leaking. The consultant was appointed for assessment.
 - Meintjies clean water reservoir is leaking; a quotation will be obtained to fix this reservoir.
 - The Reitz Waste Water Treatment Works is overloaded, the plant is unable to treat the amount of waste water inflow.
 - The department is short-staffed; as a result, there is a delay in executing most of the planned projects.
 - The department is in short of vehicles, which forces other teams to share vehicles.
 - There is a delay in purchasing of material, which is affecting the service delivery.
 - There is high water demand in Reitz; as a result the reservoirs are no longer getting full.
 - Most of toilets in Petsana are leaking; which is resulting in serious water loss.
 - Electricity and Mechanical
 - 81 of 145 infill sites could not be electrified during Phase 3 Electrification of Ntha Ext.5 as their owners did not occupy them.
 - Ageing Electricity Infrastructure needing upgrading and refurbishment
 - Meter tempering resulting in Distribution losses
 - Shortage of Qualified Personnel (Electricians and Mechanics).
 - Roads and Stormwater
 - Delays in Procurement of Vehicle Parts.
 - Shortage of qualified Mechanics.
 - Transport – trucks needs tyres, roadworthy and license fees to be paid; Requests were handed in for approval and purchases,
 - Consider hiring of yellow fleet for gravelling program.
 - Labour intensive – not enough labour to perform as required.
 - Require EPWP workers temporary.
 - Lack of internal and external funding due to financial constraints.
 - Apply for funding at District Council and MIG
 - In need of pedestrian vibrating roller, 3 x plate compactors and 2 x tamper rammers; Requests handed in for approval of purchases.

- **The Department Financial Services**

- low collection rate
- Non Implementing full credit control and debt collection on the areas supplied by Eskom
- Non Implementation of the recommendations of the Financial Recovery plan

The majority of municipalities in South Africa are unable to become and remain financially self-sufficient.

Although we understand that the state of the South African economy is limiting the ability of national government to subsidize and support local government and to meet its obligations towards municipalities, we are equally deeply concerned about the inability of most municipalities to meet their constitutional mandate.

Growth and sustainability will only occur when our local communities particularly those who earn outside the threshold of indigent make a commitment towards payment of services they consume. Only then will we see increased revenue streaming into the municipal coffers and only then will municipality be able to meet its obligations towards local communities.

INFLUENCE ON THE BUDGET

The budget is based on a number of council resolutions of which I want to highlight the following:

- The electricity tariff increase is subject to approval by NERSA.
- The poor receive support through Indigent Subsidies which entail free basic services such as 6kl water, 50KwH electricity as well as free refuse removal and sewerage services.
- The first R15 000 on all residential properties are exempt from property rates and all **Qualifying** Indigent households receive 100% rebate on Property Rates. The exemption is applicable to all households earning less than R4 000.

BUDGET BACKGROUND NOTES

Honorable Speaker the MTREF for 2017/18 to 2019/20 were compiled in accordance with the requirements of the relevant legislation, of which the following are the most important:

- The Constitution of the Republic of South Africa, Act 108 of 1996;
- The Municipal Structures Act, Act 117 of 1998;
- The Municipal Systems Act, Act 32 of 2000;
- The Municipal Finance Management Act, Act 56 of 2003;
- The Municipal Budget and Reporting Regulations promulgated on 17 April 2009; and

- The Division of Revenue Act

The Revenue and Expenditure Projections assumed inflation-linked annual adjustments over the MTREF. The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- Increased costs associated with bulk water and electricity, placing upward pressure on tariff increases to consumers. Continued high tariff increases may soon render municipal services financially unaffordable;
- Reprioritisation of capital projects and operating expenditure within the financial affordability limits of the budget, taking the cash position into account;
- Salary increases for municipal staff exceeding consumer inflation, and the requirement to fill unfunded vacant, critical and essential positions in accordance with the Salary and Wage Collective Agreement;
- National and local economic difficulties and a growth rate of 3.4% in 2017.
- CPI over the medium term is projected at 6.4%, 5.7% and 5.6%.
- The fuel price is subject to all the variables including the currency volatility and other risks facing the emerging markets.
- Above-inflation increases in bulk purchase tariffs, such as ESKOM 8%.
- Limited income base and no growth in the revenue base.
- Relief for indigent households.
- Unfunded mandates.

The authority's strategic focus areas, which are reflected in the budget, are financial sustainability, good governance, institutional development, basic service delivery and local economic development and growth.

KEY POINTS OF THE BUDGET

Budget	2016/17 R'000	2017/18 R'000
Operating Revenue Budget	293, 088	303, 712
Capital Budget	64,218	98,761
TOTAL	357,306	402, 473

The total revenue budget increased with 12.6 per cent or R45 million from R357, 306 million as per adjustment budget to R402 million in the 2017/18 financial year. The total revenue budget amount to R303 million compared to the expenditure budget of R342 million hence an **operational deficit of R33 million**. And it is expected to grow with 1.28 per cent or **R502 thousand** and further grow with 3.04 per cent or **R1.2 million** over the medium term.

The property rates accounts for 6.7 per cent of the total revenue base of the municipality (R20, 341 million). Revenue from property rates is expected to increase by 3.9 per cent from adjustment budget of R19, 538 million in 2016/17 financial year to R20, 341 million in 2017/18 financial year, and the revenue is expected to grow further with an average of 6 per cent over the MTREF period.

Tariff increases:

- Property rates 6%
- Electricity 1.88%
- Water 6%
- Sewerage 6%
- Solid waste 6%

This budget was not easy and required exceptional expertise, hard work and dedication. It required open minds and clear thinking.

However, I think we developed a document that serves the best interest of the municipality and our entire constituency.

I thank the Municipal Manager, his Directors and personnel for their inputs.

I thank the members of my Executive Mayoral Committee and Council for their hard work.

I thank my Heavenly Father without whom nothing is possible.

Mister Speaker, I now table this budget to Council for Approval

I thank you
Maditswako Teresia Mokoena
Executive Mayor

1.2 Council Resolution



NKETOANA LOCAL MUNICIPALITY (FS 193)

Item Number : 218/06 (Special Council 15/06/2017)
203/05(Special Council 31/05/2017)
077/05(Special Exco 26/05/2017)

Heading : Annual Budget 2017/18 to 2019-2020

Department : Finance

Purpose

The purpose of the report is to present the annual budget for 2017/18 for approval by council.

Background

Section 16 of the Municipal Finance Management Act of 2003 states that municipalities must for each financial year approve an annual budget for the municipality before the start of that financial year

Section 17 of the MFMA further states that

- 1) An annual budget of a municipality must be in a prescribed format
 - a) Setting out the realistically anticipated revenue for the budget year from each revenue source
 - b) Appropriating expenditure for the budget year under the different votes of the municipality
 - c) Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget
 - d) Setting out
 - i) Estimated revenue and expenditure by vote for the current year ; and
 - ii) Actual revenue and expenditure by vote for the financial year preceding the current year ; and
 - e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed

- 2) Annual budget must generally be divided into a capital and an operating budget in accordance with international best practices, as may be prescribed.
- 3) When an annual budget is tabled in terms of section 16(2) it must be accompanied by the following documents
 - a) Draft resolutions
 - i) approving the budget of the budget of the municipality
 - ii) Imposing any tax municipal tax and setting any municipal tariffs as maybe
 - iii) Approving any other matter that maybe prescribed
 - b) Measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan.
 - c) A projection of cash flow for the budget year revenue source , broken down per month,
 - d) Any proposed amendments to the municipality's integrated development plan in terms of section 34 of the Municipal Systems Act
 - e) Any proposed amendments to the budget –related policies of the municipality
 - f) Particulars of the municipality's investments
 - g) Any prescribed budget information on municipal entities under the sole or shared control of the municipality
 - h) Particulars of new municipal entities which the municipality intends to establish or in which the municipality intend to participate
 - i) Particulars of all proposed service delivery agreements including material amendments to existing service delivery agreements
 - j) Particulars of any proposed allocations or grants by the municipality to-
 - i)other municipalities
 - ii)any municipal entities and other external mechanism assisting the municipality in the exercise of its functions or powers
 - iii)any other organs of state
 - iv)any organization or bodies referred to in section 67 (1)
 - k) The proposed cost to the municipality for the budget year of the salary, allowances and benefits of-
 - i)each political office bearer of the municipality
 - ii)councilors of the municipality; and
 - iii)the municipal manager; chief financial; each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager.
 - l) The proposed cost for the budget year to a municipal entity under the sole or shred control of the municipality of the salary , allowances and benefits of –
 - i)each member of the entity's board of directors; and
 - ii)the chief executive officer and each senior manager of the entity;
 - m) Any other supporting documentation as maybe prescribed

Section 24 of the MFMA further states that:

- 1) the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget
- 2) An annual budget –

- a) Must be approved before the start of the budget year
- b) Is approved by the adoption by the council of a resolution referred to in section 17(3) (a) (i) and
- c) Must be approved together with the adoption of the resolution as may be necessary –
 - i) Imposing any municipal tax for the budget year
 - ii) Setting any municipal tariffs for the budget year
 - iii) Approving measurable performance objectives for the revenue from each source and for each vote in the budget
 - iv) Approving any changes to the municipality's integrated plan ; and
 - v) Approving any changes to the municipality's budget related policies
- 3) The accounting Officer of the municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

Annual Budget 2017/18 process

The annual budget of the municipality was consolidated taking into consideration all the departments' needs. The total revenue budget is R303 711 675 this includes operational grants, total operating expenditure is R 342 918 488 including Repairs and Maintenance, Depreciation and Debt impairment. The operational budget is at a deficit of R33 206 814. This is mainly due to depreciation and Debt Impairment of R 59 672 592 and R49 710 997 respectively.

Capital Budget 2017/18 total budget of R 98 761 000, with the whole capital budget being fully funded by grants.

Tariffs

We have proposed a 6% increase on all tariffs of the municipality which is in line with the CPI, except for electricity which is 1.88%

The departments have also proposed new tariffs in an effort to generate more revenue.

Water and Electricity, the municipality is using the IBT i.e step tariff, meaning that the more services the consumers consume the more they pay.

The ANNEXTUREs will be attached for further detail.

- A1 Schedule – Annual Budget 2017/18(ver 2.8 & ver 6.1) (Budget)
- Tariff List 2017/2018
- Capital Budget 2017/18
- Circular 82 & 85 of National Treasury
- Budget Related Policies

The DA wanted to be noted that they are against the approval of the budget, as all the factors that they have raised in the previous council meeting are not corrected and also not budget for.

Resolved:

- That COUNCIL approves the Annual budget 2017/2018

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Nketoana financial plan is essential and critical to ensure that Nketoana remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Nketoana's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, overseas and national travel, accommodation, and catering.

The Nketoana has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the City has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 82, 85 and 86 were used to guide the compilation of the 2017/18 MTREF.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from DWAF and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:

- ❖ The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/18 annual budget;
- ❖ Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- ❖ Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the

cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- ❖ There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2017/18 MTREF

Budget	2016/17 R'000	2017/18 R'000	2018/19 R'000	2019/20 R'000
Operating Revenue Budget	293, 088	303,712	323,785	344,387
Operating Expenditure Budget	293 088	336,918	357,134	378,562
Capital Budget	64,218	98,761	97 042	73 400

Total operating revenue has grown by 3.6 per cent or R10.6 million for the 2017/18 financial year when compared to the 2016/17 Adjustments Budget. For the two outer years, operational revenue will increase by 7 and 6 per cent respectively, equating to a total revenue growth of R344 million over the MTREF when compared to the 2017/18 financial year.

Total operating expenditure for the 2017/18 financial year has been appropriated at R336 million and translates into a budgeted deficit of R33 million. When compared to the 2016/17 Adjustments Budget, operational expenditure has grown by 11 per cent in the 2017/18 budget and by 6 and 6 per cent for each of the respective outer years of the MTREF.

The capital budget of R98 million for 2017/18 is 54 per cent more when compared to the 2016/17 Adjustment Budget. The increase is due to the bulk water pipeline which is from Reitz to Arlington, which is the most costly project. The capital programme increases to R97 Million in the 2018/19 financial year and then and then further decreases in 2019/20 to R73 million. The Capital Budget will be fully funded from Capital grants.

1.4 Operating Revenue Framework

For Nketoana Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- ❖ National Treasury's guidelines and macroeconomic policy;
- ❖ Growth in the Municipality and continued economic development; SMME development
- ❖ Efficient revenue management, which aims to ensure at least 70% annual collection rate for property rates and other key service charges;
- ❖ Electricity tariff increases of 1.88% as per the tariff increase guidelines from NERSA;
- ❖ Achievement of full cost recovery of specific user charges especially in relation to trading services; this is still a challenge especially on the non-profit making departments
- ❖ Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- ❖ The municipality's Property Rates Policy approved in terms of the MPRA Act no 6 of 2004;
- ❖ Increase ability to extend new services and recover costs;
- ❖ Municipality revenue enhancement strategy
- ❖ Credit and debt control policy
- ❖ The municipality's Indigent Policy and rendering of FBS; and
- ❖ Tariff policies of the Municipality.

The following table is a summary of the 2017/18 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source										
Property rates	15,954	15,835	16,613	18,429	19,538	19,538	19,538	20,341	21,561	22,855
Property rates - penalties & collection charges										
Service charges - electricity revenue	35,998	41,781	46,084	47,973	49,524	49,524	51,558	49,940	52,937	56,113
Service charges - water revenue	36,192	38,736	44,261	49,940	47,532	47,532	75,706	51,324	54,404	57,668
Service charges - sanitation revenue	13,064	15,902	19,500	20,512	20,313	20,313	26,354	21,135	22,403	23,747
Service charges - refuse revenue	12,905	14,837	18,506	20,073	19,402	19,402	26,432	20,169	21,380	22,662
Service charges - other										
Rental of facilities and equipment	434	357	332	326	363	363	363	393	417	442
Interest earned - external investments	411	583	1,102	400	1,203	1,203	1,203	1,304	1,382	1,465
Interest earned - outstanding debtors	19,071	20,201	24,392	35,727	36,727	36,727	36,727	39,421	41,787	44,294
Dividends received										
Fines	158	205	216	200	237	237	237	330	350	371
Licences and permits										
Agency services										
Transfers recognised - operational	80,423	82,879	85,569	83,002	81,702	81,702	81,702	82,580	89,385	95,923
Other revenue	1,406	5,374	10,418	31,223	16,549	16,549	16,549	16,774	17,780	18,847
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	216,014	236,690	266,993	307,805	293,088	293,088	336,368	303,712	323,785	344,387

Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2017/18	%	Budget Year +1 2018/19	%	Budget Year +2 2019/20	%
Revenue By Source								
Property rates	19,538	6.67%	20,341	6.70%	21,561	6.66%	22,855	6.64%
Service charges - electricity revenue	49,524	16.90%	49,940	16.44%	52,937	16.35%	56,113	16.29%
Service charges - water revenue	47,532	16.22%	51,324	16.90%	54,404	16.80%	57,668	16.75%
Service charges - sanitation revenue	20,313	6.93%	21,135	6.96%	22,403	6.92%	23,747	6.90%
Service charges - refuse revenue	19,402	6.62%	20,169	6.64%	21,380	6.60%	22,662	6.58%
Service charges - other								
Rental of facilities and equipment	363	0.12%	393	0.13%	417	0.13%	442	0.13%
Interest earned - external investments	1,203	0.41%	1,304	0.43%	1,382	0.43%	1,465	0.43%
Interest earned - outstanding debtors	36,727	12.53%	39,421	12.98%	41,787	12.91%	44,294	12.86%
Dividends received								
Fines	237	0.08%	330	0.11%	350	0.11%	371	0.11%
Licences and permits								
Agency services								
Transfers recognised - operational	81,702	27.88%	82,580	27.19%	89,385	27.61%	95,923	27.85%
Other revenue	16,549	5.65%	16,774	5.52%	17,780	5.49%	18,847	5.47%
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)	293,088	100.00%	303,712	100.00%	323,785	100.00%	344,387	100.00%
Total revenue from rates and service charges	156,308	53.33%	162,910	53.64%	172,684	53.33%	183,045	53.15%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Nketoana. Rates and service charge revenues comprise more than one and half thirds of the total revenue mix. In the 2016/17 financial year, revenue from rates and services charges totalled R156 million or 53.3 per cent. This increases to R162 million, R172 million and R183 million in the respective financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in

Property rates is the five largest revenue source totalling 7 per cent or R20 million rand and increases to R22 million by 2019/20. The third largest sources is 'interest earned from outstanding debtors' which clearly shows that we have a lot of outstanding debtors.

Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R81 million in the 2016/17 financial year and steadily increases to R95 million by 2019/20. Note that the year-on-year growth for the 2016/17 financial year is 27.30 per cent and then increases to 27.72 and 27.97 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
RECEIPTS:									
–									
<u>Operating Transfers and Grants</u>									
National Government:	81,559	82,649	84,163	83,002	81,702	81,702	82,580	89,385	95,923
Local Government Equitable Share	78,119	79,011	80,525	79,054	79,054	79,054	79,880	87,430	93,708
Finance Management	1,550	1,600	1,600	1,625	1,625	1,625	1,700	1,955	2,215
Municipal Systems Improvement	890	934	930	1,300					
EPWP Incentive	1,000	1,104	1,108	1,023	1,023	1,023	1,000		
Total Operating Transfers and Grants	81,559	82,649	84,163	83,002	81,702	81,702	82,580	89,385	95,923

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Nketoana.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom bulk tariffs are beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Nkeoana. Discounting the impact of these price increases in lower consumer tariffs will erode the Nketoana's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Nketoana is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Nketoana has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- ❖ All residential properties with a market value of less than amount as annually determined by the Municipality are exempted from paying rates, Famers gets up to 75% rebate on property rates. For 2017/18 financial year the maximum deduction is determined as R20 000, the impermissible rates of R15 000 contemplated in terms of (Section 17(1)(h) of the MPRA) is included in the amount referred to the above as annually determined by the municipality. The remaining R5 000 is an important part of council's indigent report and aimed primarily at alleviating poverty.
- ❖ Municipality's Property Rates Act determines all other issues in relation to exempt properties and rebates

Below is the comparison of proposed property rates to levy for the 2016/17 financial year:

PROPERTY RATES	Tariff 2016/17	Tariff 2017/18	% Increase
Business, Commercial, and Industries	0.0045986	0.0048791	6%
Residential Property	0.0045986	0.0048791	6%
Property owned by the state or an organ of state	0.0312833	0.0331916	6%
Farming land used for bona fide farming	0.0018079	0.0019182	6%
Public Service Infrastructure	0.0018079	0.0019182	6%
Vacant land irrespective of zoning	0.0091970	0.0097580	6%
Mining Property	0.0045986	0.0048791	6%
Education	0.0312833	0.0331916	6%
Religious	0.0000000	0.0000000	6%

NB: The approved tariff list is attached

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- ❖ Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- ❖ Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- ❖ Water tariffs are designed to encourage efficient and sustainable consumption.

In addition, National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective from 2014.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Proposed Water Tariffs**Metered Water****Residential, Flats, Church and old ages, commercial, government institution**

	Tariff 2016/17	Tariff 2017/18	%
All excluding industries and Departmental			
Service Fee (per Month)	161.98	171.86	6%
Consumption – 0 to 10k (per kl)	8.12	8.62	10%
Consumption – 11 to 15kl (per kl)	13.01	13.80	6%
Consumption – 16to 20kl (per kl)	17.81	18.90	6%
Consumption – 21 to 25kl (per kl)	21.88	23.21	6%
Consumption – 26 and more (per kl)	25.00	26.53	6%
Free Basic Services Indigents 6kl (per kl)	8.31	8.82	6%

	Tariff 2016/17	Tariff 2017/18	%
Industries			
Service Fee (per month)	209.88	222.68	6%
Consumption 0 to 200kl (per kl)	13.61	14.44	6%
Consumption 201 and more (per kl)	24.67	26.18	6%
Additional Availability charge : Farms/Smallholdings	209.88	222.68	6%

	Tariff 2016/17	Tariff 2017/18	%
Departmental			
Service Fee (per month)	128.01	135.82	6%
Consumption (per month)	11.19	11.87	6%

1.4.3 Sale of Electricity and Impact of Tariff Increases

On the 23rd February 2017, the National Energy Regulator of South Africa (NERSA), issued a media statement saying that Eskom's allowed revenue for 2017/18 would result in a 2.2 per cent increase in the approved bulk tariffs for Eskom that year. NERSA's consultation paper on tariff benchmarking indicates that this will result in a 0.31 per cent increase in bulk tariffs to municipalities (the difference is due to the different financial years of Eskom and municipalities).

This is significantly lower than the 8 per cent tariff increase provided for in the current Multi- Year Price Determination as a result of higher increases approved in preceding years (12.7 percent for 2015/16 and 9.4 percent for 2016/17). The statement also says that,

“Nothing prevents Eskom from considering any possible cash flow risks and the implications thereof on its financial sustainability and make an application to NERSA for relief in this regard should it consider it necessary

Section 42 of the MFMA requires that bulk price increases charged to municipalities by an organ of state must be tabled by 15 March if they are to be effected as from 1 July of the same year, unless the Minister of Finance grants an extension. The Minister of Finance at the request of the Minister of Public Enterprises, has granted an extension until 5 April 2017 for the tabling of Eskom’s 2017/18 bulk prices for municipalities. Municipalities must ensure that their budgets are informed by Eskom’s bulk tariff to be tabled on that date. In the meantime municipalities are advised to use the NERSA’s guided 0.31 per cent bulk tariff increase when compiling their budgets. This means that any changes to the final bulk tariff increase for 2017/18 to be tabled by Eskom on the 5 April 2017 will have to be factored in at that time.

The free basic services subsidy provided for in the local government equitable share were informed by the 8 per cent bulk tariff increase previously approved for the current Multi-Year Price Determination period. The equitable share allocations were tabled on 22 February 2017 in the Division of Revenue Bill, 2017. If a lower electricity bulk tariff is tabled for 2017/18 this will be offset in the calculation of the free basic services subsidy for equitable share allocations for 2018/19. This means that municipalities will have to budget to retain any surplus funds from the higher free basic services subsidy paid in 2017/18 in order to offset the cost of providing free basic electricity in 2018/19.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2017 is proposed. This is based on the input cost assumptions related to water. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- ❖ Free sanitation (Free basic (residential) -100%) will be applicable to registered indigents; and
- ❖ The total revenue expected to be generated from rendering this service amounts to R21 million for the 2017/18 financial year.

The proposed tariffs for sanitation are as follows:

Waterborne – Residential including churches and old age

	Tariff 2016/17	Tariff 2017/18	%
Per toilet/urinal per month	72.14	76.54	6%
Minimum per month	136.35	144.67	6%
Additional availability charge	136.35	144.67	6%

Business including schools

	Tariff 2016/17	Tariff 2017/18	%
Per toilet/urinal per month	139.45	147.96	6%
Minimum per month	139.45	147.96	6%
Additional availability charge	139.45	147.96	6%

Industries

	Tariff 2016/17	Tariff 2017/18	%
Per toilet/urinal per month	139.45	147.96	6%
Minimum per month	139.45	147.96	6%
Additional availability charge	139.45	147.96	6%

Departmental

	Tariff 2016/17	Tariff 2017/18	%
Per toilet/urinal per month	60.25	63.93	6%
Minimum per month	120.43	127.78	6%

Septic-tank Residential (including churches, old ages)

	Tariff 2016/17	Tariff 2017/18	%
Per suction	735.77	780.65	6%
Farms/small holding suction fee plus 10%			

Businesses (includes schools, government institutions)

	Tariff 2016/17	Tariff 2017/18	%
Per suction	814.07	863.73	6%
Farms/small holding suction fee plus 10%			

Industries

	Tariff 2016/17	Tariff 2017/18	%
Per suction	176.75	187.53	6%

Departmental

	Tariff 2016/17	Tariff 2017/18	%
Per suction	735.77	780.66	6%

1. VIP Toilets and Buckets

For the household using VIP toilets the service will be charged for cleaning of VIP toilets 780.65 per suction

2. Availability Charge

The following availability charge shall be payable in respect of vacant stands:

Per residential stand per month 223.38

Per Non-residential stand per month 317.93

3. Charges for work carried out by the municipality:

Re-inspection fee per connection	747.47
Sealing opening per connection	1,121.21
Re-opening sealed connection	1,121.21
Alterations to gullies, per gulley	1,062.24
Removing blockages on private dwelling	298.99

1.4.5 Waste Removal and Impact of Tariff Increases

The proposed tariffs for waste removal are as follows:

	Tariff 2016/17	Tariff 2017/18	%
Residential (Including churches, old age homes, etc.)			
Per Bin (per month)	162.31	172.21	6%
Business (Office Blocks)			
Per Bin (per month)	198.40	210.50	6%
Farms/Smallholdings - The "Bin" fee & additional 10%			
Business (Retail)	Tariff 2016/17	Tariff 2017/18	%
Per Bin (per month)	819.75	869.76	6%
Farms/Smallholdings - The "Bin" fee & additional 10%			
Business (Include schools, government institutions, etc.)			
Per Bin (per month)	901.73	956.74	6%
Farms/Smallholdings - The "Bin" fee & additional cost (Labour, fuel, etc.) & 10%			
Industries			
Per Bin (per month)	1,172.26	1,243.76	6%
Farms/Smallholdings - The "Bin" fee & additional cost (Labour, fuel, etc.) & 10%			
Departmental			
Per Bin (per month)	162.31	172.21	6%
Farms/Smallholdings - The "Bin" fee & additional cost (Labour, fuel, etc.) & 10%			

1.4.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to at a maximum of 6 percent as per the Inflation.

Table 12 MBRR Table SA14 – Household bill

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Rand/cent							% incr.			
Monthly Account for Household - 'Middle Income Range'										
Rates and services charges:										
Property rates	308.88	327.42	347.07	367.89	367.89	367.89	6.1%	390.33	413.75	438.58
Electricity: Basic levy	148.38	77.33	86.76	93.39	93.39	93.39	1.9%	95.15	100.86	106.91
Electricity: Consumption	866.39	927.12	1,040.23	1,119.70	1,119.70	1,119.70	1.9%	1,140.75	1,209.20	1,281.75
Water: Basic levy	110.79	117.44	129.17	142.09	142.09	142.09	6.1%	150.75	159.80	169.39
Water: Consumption	313.40	332.15	372.05	409.26	409.26	409.26	6.1%	434.22	460.27	487.89
Sanitation	96.77	102.58	112.84	119.61	119.61	119.61	6.1%	126.90	134.52	142.59
Refuse removal	115.20	122.11	134.32	142.38	142.38	142.38	6.1%	151.07	160.13	169.74
Other										
sub-total	1,959.81	2,006.15	2,222.44	2,394.31	2,394.31	2,394.31	4.0%	2,489.18	2,638.53	2,796.84
VAT on Services										
Total large household bill:	1,959.81	2,006.15	2,222.44	2,394.31	2,394.31	2,394.31	4.0%	2,489.18	2,638.53	2,796.84
% increase/-decrease		2.4%	10.8%	7.7%	-	-		4.0%	6.0%	6.0%
Monthly Account for Household - 'Affordable Range'										
Rates and services charges:										
Property rates	157.66	167.12	177.15	187.78	187.78	187.78	6.1%	199.23	211.18	223.86
Electricity: Basic levy	148.38	77.33	86.76	93.39	93.39	93.39	1.9%	95.15	100.86	106.91
Electricity: Consumption	297.89	316.72	355.36	382.51	382.51	382.51	1.9%	389.70	413.08	437.87
Water: Basic levy	110.79	117.44	129.17	142.09	142.09	142.09	6.1%	150.75	159.80	169.39
Water: Consumption	99.10	105.00	274.85	302.34	302.34	302.34	6.1%	320.78	340.02	360.43
Sanitation	96.77	102.58	112.84	119.61	119.61	119.61	6.1%	126.90	134.52	142.59
Refuse removal	115.20	122.11	134.32	142.38	142.38	142.38	6.1%	151.07	160.13	169.74
Other										

sub-total	1,025.79	1,008.30	1,270.45	1,370.09	1,370.09	1,370.09	4.6%	1,433.58	1,519.60	1,610.77
VAT on Services										
Total small household bill:	1,025.79	1,008.30	1,270.45	1,370.09	1,370.09	1,370.09	4.6%	1,433.58	1,519.60	1,610.77
% increase/-decrease		(1.7%)	26.0%	7.8%	-	-		4.6%	6.0%	6.0%
			-	-	-	-				
			16.25	0.70	1.00					
Monthly Account for Household - 'Indigent' Household receiving free basic services										
Rates and services charges:										
Property rates	12.87	13.64	14.46	15.33	15.33	15.33	6.1%	16.26	17.24	18.27
Electricity: Basic levy	72.01	77.33	86.76	93.39	93.39	93.39	1.9%	95.15	100.86	106.91
Electricity: Consumption	36.89	38.92	43.67	47.00	47.00	47.00	1.9%	47.89	50.76	53.81
Water: Basic levy	110.79	117.44	129.17	142.09	142.09	142.09	6.1%	150.75	159.80	169.39
Water: Consumption	33.36	35.34	38.88	42.77	42.77	42.77	6.1%	45.38	48.10	50.99
Sanitation	96.77	102.58	112.84	119.61	119.61	119.61	6.1%	126.90	134.52	142.59
Refuse removal	115.20	122.11	134.32	142.38	142.38	142.38	6.1%	151.07	160.13	169.74
Other										
sub-total	477.89	507.36	560.10	602.57	602.57	602.57	5.1%	633.40	671.40	711.69
VAT on Services										
Total small household bill:	477.89	507.36	560.10	602.57	602.57	602.57	5.1%	633.40	671.40	711.69
% increase/-decrease		6.2%	10.4%	7.6%	-	-		5.1%	6.0%	6.0%

1.5 Operating Expenditure Framework

The Nketoana Local Municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- ❖ The asset management strategy and the repairs and maintenance plan;
- ❖ Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- ❖ Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- ❖ The capital programme is aligned to the IDP and MIG strategy and backlog eradication plan;
- ❖ Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- ❖ Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure):

Table 5 Summary of operating expenditure by standard classification item

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Expenditure By Type										
Employee related costs	68,648	74,799	80,810	75,196	86,156	86,156	86,156	93,591	99,206	105,158
Remuneration of councillors	5,379	6,677	6,892	7,063	8,750	8,750	8,750	9,083	9,628	10,206
Debt impairment	95,804	108,568	83,419	41,806	40,340	40,340	40,340	49,931	52,927	56,102
Depreciation & asset impairment	64,211	57,015	58,503	68,544	58,503	58,503	58,503	59,673	63,253	67,048
Finance charges	2,918	8,339	10,202	1,200	17,575	17,575	17,575	17,836	18,906	20,040
Bulk purchases	34,431	38,935	43,818	45,971	55,383	55,383	55,383	50,456	53,483	56,692
Other materials	10,510	15,405	18,427	11,213	9,564	9,564	9,564	10,188	10,799	11,447
Contracted services	15,912	10,759	11,400	8,965	6,768	6,768	6,768	9,163	9,713	10,296
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	42,150	42,416	54,686	47,467	53,085	53,085	53,085	36,999	39,219	41,572
Loss on disposal of PPE										
Total Expenditure	339,963	362,911	368,157	307,425	336,124	336,124	336,124	336,918	357,134	378,562

The budgeted allocation for employee related costs for the 2017/18 financial year totals R102 million, which equals 27 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7 per cent for the 2016/17 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Nketoana's budget.

The provision of debt impairment was determined based on an annual collection rate of 70 per cent and the Debt Write-off Policy of the Nketoana. For the 2017/18 financial year this amount equates to R49 million and escalates to R56 million by 2019/20. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R59 million for the 2017/18 financial and equates to 16 per cent of the total operating expenditure. Note that

the methodology which was applied by the Assets consultants when they we re-doing the Fixed Asset Register resulted in the total depreciation expense going down from the previous financial years

Finance charges consist primarily of the repayment of Eskom Interest and interest on long-term borrowing (cost of capital). Finance charges make up 5.29 per cent (R17 million) of operating expenditure and increases to R20 million by 2019/20.

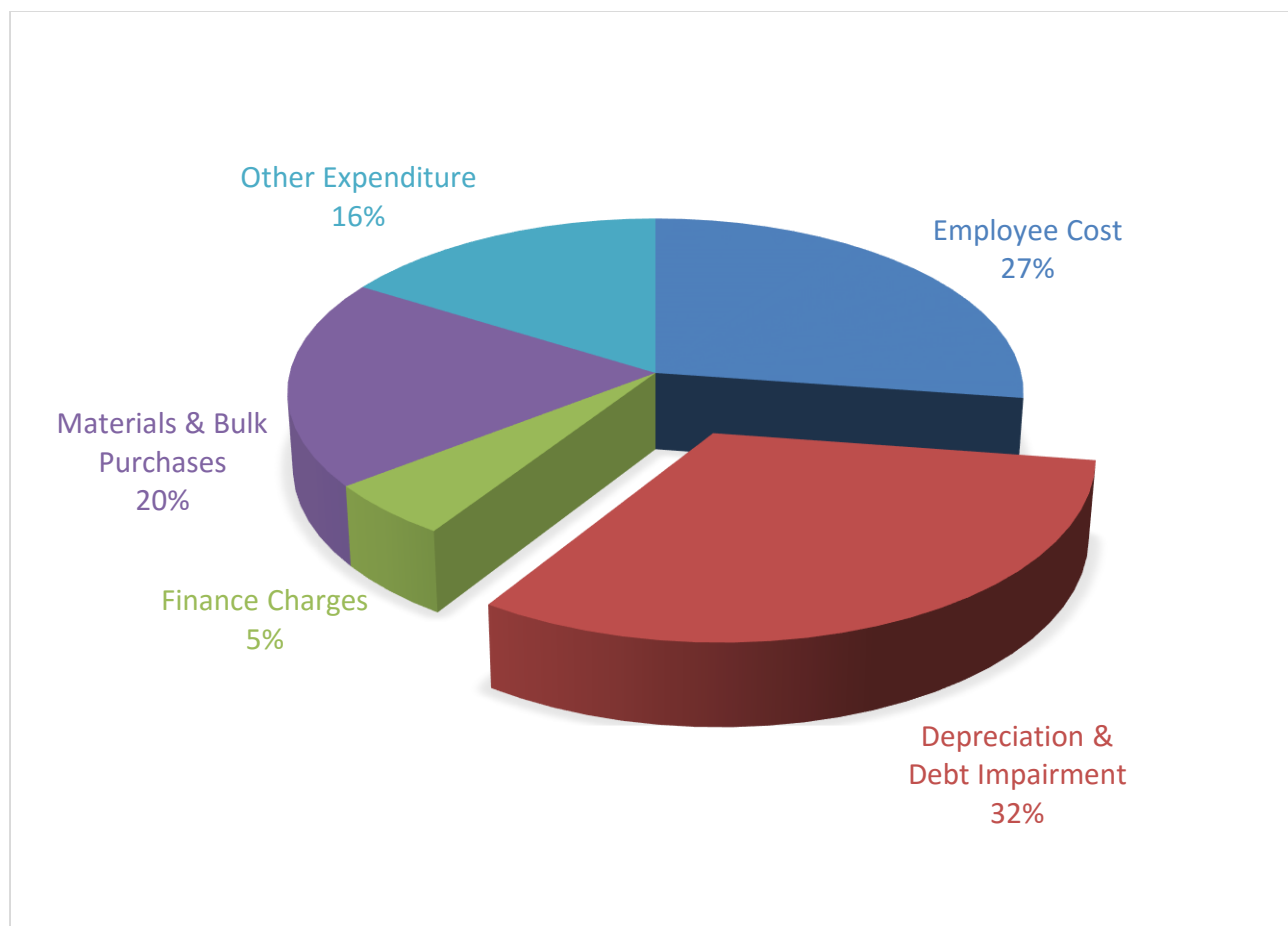
Bulk purchases are directly informed by the purchase of electricity from Eskom and water from DWAF. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprises of amongst others the purchase of fuel, diesel, and materials for maintenance when doing the repairs internally. For 2017/18 the appropriation against this group of expenditure has grown by 3.02 per cent (10 million) and continues to stay flat at 3.02 per cent for the two outer years

Contracted services has been identified as the item where the municipality can save a lot of money, because some of the contracts management are still deciding on the option to buy fleet where necessary As part of the compilation of the 2017/18 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2017/18 financial year, this group of expenditure totals R9 million and has escalated by just 2.7 per cent. For the two outer years in stays flat at 2.7 per cent.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 11 per cent for 2017/18 and curbed at 11 cent for the two outer years, indicating that significant cost savings have been already realised.

The following table gives a breakdown of the main expenditure categories for the 2017/18 financial year.



Main operational expenditure categories for the 2017/18 financial

Table 6 Repairs and maintenance per asset class

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Depreciation & asset impairment	64,211	57,015	58,503	68,544	58,503	58,503	59,673	63,253	67,048
Repairs and Maintenance by Asset Class	10,510	15,405	18,427	11,213	9,564	9,564	10,188	10,799	11,447
Infrastructure - Road transport	4,090	3,396	3,057	2,220	1,820	1,820	2,541	2,693	2,855
Infrastructure - Electricity	1,750	2,650	3,256	2,320	2,481	2,481	1,852	1,963	2,081
Infrastructure - Water	1,000	4,992	3,779	2,502	2,502	2,502	3,430	3,636	3,854
Infrastructure - Sanitation	1,000	2,295	1,990	1,760	560	560	312	331	350
Infrastructure - Other	800	340	792	300	200	200	270	286	303
Infrastructure	8,640	13,673	12,875	9,102	7,563	7,563	8,405	8,909	9,443
Community	1,410	865	2,957	591	560	560	921	976	1,035
Heritage assets	–	686	1,270	1,400	1,391	1,391	801	849	900
Investment properties	460	180	1,325	120	50	50	62	65	69
Other assets	74,721	72,420	76,930	79,757	68,067	68,067	69,860	74,052	78,495

For the 2017/18 financial year, 82.5 per cent or R8.4 million of total repairs and maintenance will be spent on infrastructure assets. Water infrastructure has received a significant proportion of this allocation totalling 33.6 per cent (R3.4 million), followed by road infrastructure at 24.9 per cent (R2.5 million), Electricity at 18.2 per cent (R1.8) and sanitation at 3.0 per cent (R312 thousand). Community assets has been allocated R921 of total repairs and maintenance equating to 15.1 per cent.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Policy. The target is to register 6000 or more indigent households during the 2017/18/12 financial year, a process reviewed annually.

The municipality has reviewed and approved the Indigent policy, we increased the threshold of indigent to R4 000, a R500 increase from the previous financial years. We believe that this will assist the poorest of the poor within our community. There was also an outcry for NGO's especially that takes care of people with disabilities, and also the Old age residents were included in this policy. The said organisations will receive a rebate depending on the consumption of their water and electricity. This resulted from the door-to-door campaign that was made by councillors.

It is Important to note that the current outstanding debt is not caused by the poor people as they are being subsidized on their full accounts. The debt is caused by those who earn above the R4 000 per month bracket and who are not paying. The motivation for the selected list of residents to start the collection process with is thus aimed at professional people, business, agriculture, etc. as their income is above the basic norm. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7 2016/17 Medium-term capital budget per vote

Description R thousand	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2017/18	%	Budget Year +1 2018/19	%	Budget Year +2 2019/20	%
EXECUTIVE AND COUNCIL	–	0.00%	–	0.00%	–	0.00%	–	0.00%
FINANCE AND ADMINISTRATION	–	0.00%	–	0.00%	–	0.00%	–	0.00%
COMMUNITY SERVICES	16,300	25.38%	4,109	4.16%	4,356	4.49%	4,617	6.29%
WASTE MANAGEMENT	376	0.59%	7,690	7.79%	8,152	8.40%	8,641	11.77%
LOCAL ECONOMIC DEVELOPMENT	–	0.00%	–	0.00%	–	0.00%	–	0.00%
ROADS TRANSPORT	5,127	7.98%	13,833	14.01%	14,663	15.11%	15,543	21.18%
WATER	32,011	49.85%	47,849	48.45%	43,076	44.39%	16,196	22.07%
ELECTRICITY	–	0.00%	5,000	5.06%	5,300	5.46%	5,618	7.65%
WASTE WATER	10,403	16.20%	20,279	20.53%	21,496	22.15%	22,786	31.04%
Total Capital Expenditure - Vote	64,218	100.00%	98,761	100.00%	97,042	100.00%	73,400	100.00%

For 2017/18 the total amount of R98 million has been appropriated for the development of infrastructure which represents 100 per cent of the total capital budget. In the outer years this amount totals R97 Million and R73 Million respectively for each of the financial years. Water receives the highest allocation of R47 million in 2017/18 which equates to 48.4 per cent followed by Waste water infrastructure at 20.5 per cent, R20 million and then Roads Transport at 14.0 per cent, R13 million.

Total of new assets represent 52.74 per cent or R98 million of the total capital budget while asset renewal equates to 47.26 per cent or R46 million. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Mamafubedu: 9km Paved Roads – R 257 321
- Petsana: Upgrading of sports facility – R 3 254 623
- Mamafubedu: Development of a new cemetery – R432 508
- Mamafubedu: Fencing of Municipal Infrastructure (2,9km) - R 221 001
- Reitz: Fencing of Municipal Infrastructure (3.1km) – R 201 059
- Petsana: Upgrading of 1.3km gravel roads to paved roads – Phase 2 – R 5 923 940
- Mamafubedu: Upgrading of 1.3km gravel roads to paved roads – Phase – R 6 364 054
- Lindley: Fencing of raw water retention dam (1.870km) – R 122 589
- Mamafubedu: Development of solid waste disposal site – R 7690 155
- Upgrading of WTW at Reitz from 15Ml/d to 17Ml/d and construction of High Lift Pump Station at Reitz WTW - Phase 1A – R 279 103
- Reitz WTW: Upgrading of raw water pump station and High Lift Pump Station - (Phase 1B) – R 20 000 000
- Construction of 4Ml Reservoir in Mamafubedu – R 7 107 331
- Construction of 40 km 315mm mPVC Bulk Water Supply Pump Line from Reitz to Petrus Steyn - (Phase 2B: 10km) – R 728 308
- Construction of 40 km 315mm mPVC Bulk Water Supply Pump Line from Reitz to Petrus Steyn - (Phase 2C: 15km) – R 17 105 004
- Construction of 40 km 315mm mPVC Bulk Water Supply Pump Line from Reitz to Petrus Steyn - (Phase 2D: 12km) – R 16 566 788
- Groundwater study in Nketoana and Development of Boreholes in Arlington and Petrus Steyn (Phase 3) -623 370
- Upgrading of water pump stations in Lindley and Arlington – R 5 596 097

1.7 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

Table 17 MBRR Table A1 - Budget Summary

Description R thousands	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Financial Performance</u>										
Property rates	15,954	15,835	16,613	18,429	19,538	19,538	19,538	20,341	21,561	22,855
Service charges	98,158	111,256	128,351	138,498	136,770	136,770	180,050	142,569	151,123	160,191
Investment revenue	411	583	1,102	400	1,203	1,203	1,203	1,304	1,382	1,465
Transfers recognised - operational	80,423	82,879	85,569	83,002	81,702	81,702	81,702	82,580	89,385	95,923
Other own revenue	21,068	26,137	35,359	67,477	53,875	53,875	53,875	56,918	60,333	63,953
Total Revenue (excluding capital transfers and contributions)	216,014	236,690	266,993	307,805	293,088	293,088	336,368	303,712	323,785	344,387
Employee costs	68,648	74,799	80,810	75,196	86,156	86,156	86,156	93,591	99,206	105,158
Remuneration of councillors	5,379	6,677	6,892	7,063	8,750	8,750	8,750	9,083	9,628	10,206
Depreciation & asset impairment	64,211	57,015	58,503	68,544	58,503	58,503	58,503	59,673	63,253	67,048
Finance charges	2,918	8,339	10,202	1,200	17,575	17,575	17,575	17,836	18,906	20,040
Materials and bulk purchases	44,941	54,339	62,245	57,184	64,947	64,947	64,947	60,643	64,282	68,139
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	153,866	161,742	149,505	98,239	100,193	100,193	100,193	96,093	101,859	107,970
Total Expenditure	339,963	362,911	368,157	307,425	336,124	336,124	336,124	336,918	357,134	378,562
Surplus/(Deficit)	(123,948)	(126,221)	(101,164)	380	(43,036)	(43,036)	244	(33,207)	(33,349)	(34,175)
Transfers recognised - capital	48,355	62,157	59,865	64,218	64,218	64,218	64,218	98,761	104,687	110,968
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(75,594)	(64,064)	(41,300)	64,598	21,182	21,182	64,462	65,554	71,338	76,793
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(75,594)	(64,064)	(41,300)	64,598	21,182	21,182	64,462	65,554	71,338	76,793
<u>Capital expenditure & funds sources</u>										
Capital expenditure	60,377	45,598	59,577	64,218	64,218	64,218	64,218	98,761	97,042	73,400
Transfers recognised - capital	49,372	44,176	58,035	64,218	64,218	64,218	64,218	98,761	97,042	73,400
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	11,005	1,422	1,541	–	–	–	–	–	–	–
Total sources of capital funds	60,377	45,598	59,577	64,218	64,218	64,218	64,218	98,761	97,042	73,400

<u>Financial position</u>										
Total current assets	51,520	23,035	25,304	80,044	442,830	442,830	442,830	369,814	492,083	521,608
Total non current assets	605,697	1,033,550	1,034,062	611,763	1,026,809	1,026,809	1,026,809	1,047,427	1,068,463	1,089,925
Total current liabilities	95,042	137,876	181,295	140,468	166,484	166,484	166,484	173,147	183,217	193,884
Total non current liabilities	25,292	26,559	27,416	23,574	309,250	309,250	309,250	315,435	321,098	327,070
Community wealth/Equity	536,884	892,151	850,655	527,765	993,905	993,905	993,905	928,659	1,056,231	1,090,578
<u>Cash flows</u>										
Net cash from (used) operating	67,850	49,195	60,901	35,224	41,733	41,733	41,733	102,988	101,523	78,150
Net cash from (used) investing	(59,892)	(45,255)	(59,271)	(64,218)	(64,218)	(64,218)	(64,218)	(98,761)	(97,042)	(73,400)
Net cash from (used) financing	(1,062)	(1,349)	(813)	(8,489)	(8,504)	(8,504)	(8,504)	(341)	(146)	(7,037)
Cash/cash equivalents at the year end	(881)	1,710	2,527	(30,213)	12,056	12,056	12,056	6,413	10,747	8,460
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	2,815	11,127	11,092	22,752	26,234	26,234	26,234	16,167	18,964	20,102
Application of cash and investments	61,847	107,058	153,913	101,974	1,914	1,914	25,509	(48,269)	(108,405)	(114,909)
Balance - surplus (shortfall)	(59,032)	(95,930)	(142,821)	(79,222)	24,320	24,320	725	64,437	127,368	135,010
<u>Asset management</u>										
Asset register summary (WDV)	599,096	1,018,477	1,018,938	605,186	1,020,070	1,020,070	–	1,040,469	1,061,277	1,082,501
Depreciation & asset impairment	64,211	57,015	58,503	68,544	58,503	58,503	–	59,673	63,253	67,048
Renewal of Existing Assets	–	–	–	29,791	7,827	7,827	7,827	46,675	49,476	52,444
Repairs and Maintenance	10,510	15,405	18,427	11,213	9,564	9,564	–	13,231	14,025	14,866
<u>Free services</u>										
Cost of Free Basic Services provided	18,086	26,529	20,103	16,467	43,280	43,280	–	48,220	51,113	54,180
Revenue cost of free services provided	3,738	1,452	1,882	22,526	22,359	22,359	21,579	22,608	23,965	25,403
<u>Households below minimum service level</u>										
Water:	6	8	8	7	7	7	–	7	7	7
Sanitation/sewerage:	3	4	4	4	4	4	–	4	4	4
Energy:	12	14	14	13	13	13	–	13	13	14
Refuse:	4	5	5	5	5	5	–	5	5	5

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Nketoana's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted

Table 18 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Revenue - Standard</u>									
<i>Governance and administration</i>	166,211	120,054	132,741	93,876	94,446	94,446	87,219	94,303	101,136
Executive and council	–	–	–	20,253	19,521	19,521	8,546	9,059	9,603
Budget and treasury office	166,211	119,598	129,514	73,310	74,588	74,588	78,673	85,243	91,533
Corporate services	–	456	3,228	313	336	336	–	–	–
<i>Community and public safety</i>	–	12,730	5,905	35,445	36,275	36,275	15,253	16,168	17,138
Community and social services	–	5,615	1,568	26,788	27,769	27,769	9,210	9,762	10,348
Sport and recreation	–	6,910	4,120	8,457	8,269	8,269	5,613	5,950	6,307
Public safety	–	205	216	200	237	237	430	456	483
Housing	–	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>	–	12,311	15,780	22,351	22,564	22,564	25,456	26,983	28,602
Planning and development	–	2	–	6,631	6,636	6,636	4,621	4,898	5,192
Road transport	–	12,309	15,780	15,720	15,928	15,928	20,835	22,085	23,410
Environmental protection	–	–	–	–	–	–	–	–	–
<i>Trading services</i>	98,158	153,752	172,431	218,650	202,319	202,319	272,843	289,214	306,567
Electricity	35,998	45,436	49,324	65,499	53,737	53,737	57,572	61,026	64,688
Water	36,192	62,544	69,819	93,742	80,958	80,958	130,280	138,097	146,382
Waste water management	13,064	30,862	32,469	28,949	38,874	38,874	48,227	51,121	54,188
Waste management	12,905	14,910	20,819	30,460	28,750	28,750	36,764	38,970	41,308
<i>Other</i>	–	–	–	1,702	1,702	1,702	1,702	1,804	1,912
Total Revenue - Standard	264,369	298,847	326,857	372,023	357,306	357,306	402,473	428,471	455,354
<u>Expenditure - Standard</u>									
<i>Governance and administration</i>	337,715	89,894	123,126	70,908	110,300	110,300	82,708	87,670	92,930
Executive and council	69,543	20,653	23,466	25,617	26,475	26,475	24,702	26,184	27,755
Budget and treasury office	266,811	43,189	37,359	25,222	42,779	42,779	58,006	61,486	65,175
Corporate services	1,361	26,052	62,301	20,069	41,046	41,046	–	–	–
<i>Community and public safety</i>	1,356	21,660	14,721	20,604	22,170	22,170	24,183	25,634	27,172
Community and social services	1,356	14,297	8,851	12,650	17,228	17,228	18,202	19,294	20,452
Sport and recreation	–	338	504	466	475	475	595	631	669

Public safety	–	7,026	5,366	7,488	4,467	4,467	5,386	5,709	6,051
Housing	–	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–
Economic and environmental services	–	47,023	56,393	58,367	46,761	46,761	51,386	54,469	57,737
Planning and development	–	2,058	8,105	3,250	3,311	3,311	3,270	3,466	3,674
Road transport	–	44,965	48,288	55,117	43,450	43,450	48,116	51,003	54,063
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	891	203,500	173,312	156,795	155,825	155,825	177,518	188,169	199,459
Electricity	–	73,309	69,950	65,024	67,524	67,524	71,959	76,277	80,854
Water	–	58,910	58,957	43,240	45,176	45,176	56,073	59,438	63,004
Waste water management	891	40,697	22,441	30,897	22,605	22,605	25,744	27,288	28,926
Waste management	–	30,584	21,965	17,634	20,521	20,521	23,742	25,166	26,676
Other	–	833	605	751	1,068	1,068	1,124	1,191	1,263
Total Expenditure - Standard	339,963	362,911	368,157	307,425	336,124	336,124	336,918	357,134	378,562
Surplus/(Deficit) for the year	(75,594)	(64,064)	(41,300)	64,598	21,182	21,182	65,554	71,338	76,793

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Water, Waste water and waste management functions, but not the Electricity Services. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Because the tariffs of electricity are regulated by Nersa and as a result the electricity department has been operating on a deficit. The municipality had a meeting with Nersa on March 2017 and presented electricity department situation in an effort to get assistance or alternatively to have higher tariffs and it was concluded that the municipality must first do a Cost of Supply study.
5. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate and Finance Services.

Table 8 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Revenue by Vote</u>									
Vote 1 - EXECUTIVE AND COUNCIL	–	–	–	20,253	19,521	19,521	8,546	9,059	9,603
Vote 2 - FINANCE AND ADMINISTRATION	166,211	120,054	132,741	73,623	74,924	74,924	78,673	85,243	91,533
Vote 3 - COMMUNITY SERVICES	–	12,730	5,905	35,445	36,275	36,275	15,253	16,168	17,138
Vote 4 - WASTE MANAGEMENT	12,905	14,910	20,819	30,460	28,750	28,750	36,764	38,970	41,308
Vote 5 - LOCAL ECONOMIC DEVELOPMENT	–	2	–	4,460	4,460	4,460	4,460	4,728	5,011
Vote 6 - ROADS TRANSPORT	–	12,309	15,780	15,720	15,928	15,928	20,835	22,085	23,410
Vote 7 - WATER	36,192	62,544	69,819	93,742	80,958	80,958	130,280	138,097	146,382
Vote 8 - ELECTRICITY	35,998	45,436	49,324	65,499	53,737	53,737	57,572	61,026	64,688
Vote 9 - WASTE WATER	13,064	30,862	32,469	28,949	38,874	38,874	48,227	51,121	54,188
Vote 10 - HOUSING	–	–	–	3,872	3,877	3,877	1,862	1,974	2,093
Total Revenue by Vote	264,369	298,847	326,857	372,023	357,306	357,306	402,473	428,471	455,354
<u>Expenditure by Vote to be appropriated</u>									
Vote 1 - EXECUTIVE AND COUNCIL	69,543	20,653	23,466	25,617	26,475	26,475	24,702	26,184	27,755
Vote 2 - FINANCE AND ADMINISTRATION	268,172	69,241	99,660	45,291	83,825	83,825	58,006	61,486	65,175
Vote 3 - COMMUNITY SERVICES	1,356	21,660	14,721	20,604	22,170	22,170	24,183	25,634	27,172
Vote 4 - WASTE MANAGEMENT	–	30,584	21,965	17,634	20,521	20,521	23,742	25,166	26,676
Vote 5 - LOCAL ECONOMIC DEVELOPMENT	–	2,058	8,105	2,446	2,348	2,348	2,336	2,476	2,625
Vote 6 - ROADS TRANSPORT	–	44,965	48,288	55,117	43,450	43,450	48,116	51,003	54,063
Vote 7 - WATER	–	58,910	58,957	43,240	45,176	45,176	56,073	59,438	63,004
Vote 8 - ELECTRICITY	–	73,309	69,950	65,024	67,524	67,524	71,959	76,277	80,854
Vote 9 - WASTE WATER	891	40,697	22,441	30,897	22,605	22,605	25,744	27,288	28,926
Vote 10 - HOUSING	–	833	605	1,555	2,031	2,031	2,057	2,181	2,312
Total Expenditure by Vote	339,963	362,911	368,157	307,425	336,124	336,124	336,918	357,134	378,562
Surplus/(Deficit) for the year	(75,594)	(64,064)	(41,300)	64,598	21,182	21,182	65,554	71,338	76,793

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Nketoana. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 20 Surplus/ (Deficit) calculations for the trading services

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ELECTRICITY									
Total Revenue (Inc capital grants and Transfers)	35,998	45,436	49,324	65,499	53,737	53,737	57,572	60,933	64,589
Operating Expenditure	–	73,309	69,950	65,024	67,524	67,524	71,959	92,697	98,259
Surplus(Deficit) for the year	35,998	(27,873)	(20,626)	475	(13,786)	(13,786)	(14,387)	(31,764)	(33,670)
Percentage Surplus (Deficit)	#DIV/0!	61.98%	70.51%	100.73%	79.58%	79.58%	80.01%	65.73%	65.73%
WATER									
Total Revenue (Inc capital grants and Transfers)	36,192	62,544	69,819	93,742	80,958	80,958	130,280	137,912	146,187
Operating Expenditure	–	58,910	58,957	43,240	45,176	45,176	56,073	64,705	68,587
Surplus(Deficit) for the year	36,192	3,633	10,862	50,502	35,782	35,782	74,207	73,208	77,600
Percentage Surplus (Deficit)	#DIV/0!	106.17%	118.42%	216.79%	179.21%	179.21%	232.34%	213.14%	213.14%

2. The electricity department is operating on a deficit and as such cannot subsidise other non-revenue generating departments. It is also burdening the operating budget of the municipality.
3. The electricity trading deficit is decreasing over the 2017/18 MTREF from 80 per cent or R14 million in 2017/18 to 65 per cent by 2019/20. This is primarily as a result of the low tariffs of electricity as the increase are lower than the inflation.
4. The surplus on the water account remains relatively high over the MTREF translating into a surplus of 232 per cent, 213 per cent and 213 per cent for each of the respective financial years.
5. Note that the surpluses on these trading accounts are supposed to be utilised as an internal funding source *used to cross-subsidise other municipal services*. At the moment only the water surplus is used as electricity is operating on a deficit.

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Revenue By Source</u>										
Property rates	15,954	15,835	16,613	18,429	19,538	19,538	19,538	20,341	21,561	22,855
Property rates - penalties & collection charges										
Service charges - electricity revenue	35,998	41,781	46,084	47,973	49,524	49,524	51,558	49,940	52,937	56,113
Service charges - water revenue	36,192	38,736	44,261	49,940	47,532	47,532	75,706	51,324	54,404	57,668
Service charges - sanitation revenue	13,064	15,902	19,500	20,512	20,313	20,313	26,354	21,135	22,403	23,747
Service charges - refuse revenue	12,905	14,837	18,506	20,073	19,402	19,402	26,432	20,169	21,380	22,662
Service charges - other										
Rental of facilities and equipment	434	357	332	326	363	363	363	393	417	442
Interest earned - external investments	411	583	1,102	400	1,203	1,203	1,203	1,304	1,382	1,465
Interest earned - outstanding debtors	19,071	20,201	24,392	35,727	36,727	36,727	36,727	39,421	41,787	44,294
Dividends received										
Fines	158	205	216	200	237	237	237	330	350	371
Licences and permits										
Agency services										
Transfers recognised - operational	80,423	82,879	85,569	83,002	81,702	81,702	81,702	82,580	89,385	95,923
Other revenue	1,406	5,374	10,418	31,223	16,549	16,549	16,549	16,774	17,780	18,847
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	216,014	236,690	266,993	307,805	293,088	293,088	336,368	303,712	323,785	344,387
<u>Expenditure By Type</u>										
Employee related costs	68,648	74,799	80,810	75,196	86,156	86,156	86,156	93,591	99,206	105,158
Remuneration of councillors	5,379	6,677	6,892	7,063	8,750	8,750	8,750	9,083	9,628	10,206
Debt impairment	95,804	108,568	83,419	41,806	40,340	40,340	40,340	49,931	52,927	56,102
Depreciation & asset impairment	64,211	57,015	58,503	68,544	58,503	58,503	58,503	59,673	63,253	67,048
Finance charges	2,918	8,339	10,202	1,200	17,575	17,575	17,575	17,836	18,906	20,040
Bulk purchases	34,431	38,935	43,818	45,971	55,383	55,383	55,383	50,456	53,483	56,692
Other materials	10,510	15,405	18,427	11,213	9,564	9,564	9,564	10,188	10,799	11,447
Contracted services	15,912	10,759	11,400	8,965	6,768	6,768	6,768	9,163	9,713	10,296
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	42,150	42,416	54,686	47,467	53,085	53,085	53,085	36,999	39,219	41,572
Loss on disposal of PPE										
Total Expenditure	339,963	362,911	368,157	307,425	336,124	336,124	336,124	336,918	357,134	378,562

Surplus/(Deficit)	(123,948)	(126,221)	(101,164)	380	(43,036)	(43,036)	244	(33,207)	(33,349)	(34,175)
Transfers recognised - capital	48,355	62,157	59,865	64,218	64,218	64,218	64,218	98,761	104,687	110,968
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions	(75,594)	(64,064)	(41,300)	64,598	21,182	21,182	64,462	65,554	71,338	76,793
Taxation										
Surplus/(Deficit) after taxation	(75,594)	(64,064)	(41,300)	64,598	21,182	21,182	64,462	65,554	71,338	76,793
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	(75,594)	(64,064)	(41,300)	64,598	21,182	21,182	64,462	65,554	71,338	76,793
Share of surplus/ (deficit) of associate										
Surplus/(Deficit) for the year	(75,594)	(64,064)	(41,300)	64,598	21,182	21,182	64,462	65,554	71,338	76,793

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R303 Million in 2017/18 and escalates to R344 Million by 2019/20. This represents a year-on-year increase of 6.6 per cent for the 2018/19 financial year and 6.4 per cent for the 2019/20 financial year.
2. Revenue to be generated from property rates is R20 Million in the 2017/18 financial year and increases to R22 million by 2019/20 which represents 6.7 per cent of the operating revenue base of Nketoana. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Nketoana totalling R142 million for the 2017/18 financial year and increasing to R159 million by 2019/20. For the 2017/18 financial year services charges amount to 47 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 0.42 per cent and 0.25 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.
5. Bulk purchases increases from 2018/19 to 2019/20 period at 5.9 and 6 percent respectively from R50 million to R56 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Rand Water.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 9 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Single-year expenditure to be appropriated										
Vote 1 - EXECUTIVE AND COUNCIL	–	–	–	–	–	–	–	–	–	–
Vote 2 - FINANCE AND ADMINISTRATION	–	8,930	7,754	–	–	–	–	–	–	–
Vote 3 - COMMUNITY SERVICES	5,653	–	–	15,509	16,300	16,300	16,300	4,109	4,356	4,617
Vote 4 - WASTE MANAGEMENT	3,588	1,516	8,943	1,415	376	376	376	7,690	8,152	8,641
Vote 5 - LOCAL ECONOMIC DEVELOPMENT	–	–	–	–	–	–	–	–	–	–
Vote 6 - ROADS TRANSPORT	25,120	11,094	12,648	4,919	5,127	5,127	5,127	13,833	14,663	15,543
Vote 7 - WATER	20,337	14,597	19,661	42,096	32,011	32,011	32,011	47,849	43,076	16,196
Vote 8 - ELECTRICITY	5,000	5,300	2,842	–	–	–	–	5,000	5,300	5,618
Vote 9 - WASTE WATER	680	4,160	7,729	279	10,403	10,403	10,403	20,279	21,496	22,786
Capital single-year expenditure sub-total	60,377	45,598	59,577	64,218	64,218	64,218	64,218	98,761	97,042	73,400
Total Capital Expenditure - Vote	60,377	45,598	59,577	64,218	64,218	64,218	64,218	98,761	97,042	73,400
Capital Expenditure - Standard										
Governance and administration	–	8,930	7,754	–	–	–	–	–	–	–
Executive and council										
Budget and treasury office		8,930	7,754							
Corporate services										
Community and public safety	5,653	–	–	15,509	16,300	16,300	16,300	4,109	4,356	4,617
Community and social services				11,410	12,389	12,389	12,389	855	906	960
Sport and recreation	5,653			4,099	3,911	3,911	3,911	3,255	3,450	3,657
Public safety										
Housing										
Health										
Economic and environmental services	25,120	11,094	12,648	4,919	5,127	5,127	5,127	13,833	14,663	15,543
Planning and development										
Road transport	25,120	11,094	12,648	4,919	5,127	5,127	5,127	13,833	14,663	15,543
Environmental protection										
Trading services	29,605	25,574	39,174	43,790	42,790	42,790	42,790	80,819	78,023	53,240
Electricity	5,000	5,300	2,842	–	–	–	–	5,000	5,300	5,618
Water	20,337	14,597	19,661	42,096	32,011	32,011	32,011	47,849	43,076	16,196
Waste water management	680	4,160	7,729	279	10,403	10,403	10,403	20,279	21,496	22,786

Waste management	3,588	1,516	8,943	1,415	376	376	376	7,690	8,152	8,641
<i>Other</i>										
Total Capital Expenditure - Standard	60,377	45,598	59,577	64,218	64,218	64,218	64,218	98,761	97,042	73,400
Funded by:										
National Government	49,372	44,176	58,035	64,218	64,218	64,218	64,218	98,761	97,042	73,400
Provincial Government										
District Municipality										
Other transfers and grants										
Transfers recognised - capital	49,372	44,176	58,035	64,218	64,218	64,218	64,218	98,761	97,042	73,400
Public contributions & donations										
Borrowing										
Internally generated funds	11,005	1,422	1,541							
Total Capital Funding	60,377	45,598	59,577	64,218	64,218	64,218	64,218	98,761	97,042	73,400

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Single-year capital expenditure has been appropriated at R98 million for the 2017/18 financial year and drops to R97 million and R73 million respectively for the two outer years.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Nketoana. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
4. The capital programme is funded from capital grants. For 2018/19, capital transfers totals 97 million and drops to 73 million by 2019/20.

Table 23 MBRR Table A6 - Budgeted Financial Position

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS										
Current assets										
Cash	789	2,908	3,104	3,118	4,878	4,878	4,878	17,890	18,964	20,102
Call investment deposits	3,696	–	–	15,156	16,878	16,878	16,878	409,963	434,561	460,634
Consumer debtors	30,211	15,822	17,709	34,196	386,758	386,758	386,758	14,142	14,991	15,890
Other debtors	3,165	1,954	2,119	11,370	13,342	13,342	13,342	21,531	22,822	24,192
Current portion of long-term receivables	12,882	1,764	1,764	15,594	20,312	20,312	20,312	703	745	790
Inventory	777	587	608	610	663	663	663	464,229	492,083	521,608
Total current assets	51,520	23,035	25,304	80,044	442,830	442,830	442,830	928,458	984,165	1,043,215
Non current assets								2,225	2,359	2,500
Long-term receivables	2,019	2,019	2,019	2,099	2,099	2,099	2,099			
Investments		8,219	7,988	4,478	4,478	4,478	4,478	14,155	14,439	14,727
Investment property	8,264	13,878	13,878	8,442	13,878	13,878	13,878	4,568	4,659	4,752
Investment in Associate								1,026,224	1,046,748	1,067,683
Property, plant and equipment	590,782	1,004,476	1,004,970	596,665	1,006,102	1,006,102	1,006,102			
Agricultural								25	25	25
Biological	23	50	25	52	25	25	25	66	66	66
Intangible	28	73	66	27	66	66	66	165	168	172
Other non-current assets	4,582	4,836	5,118	–	162	162	162	1,047,427	1,068,463	1,089,925
Total non current assets	605,697	1,033,550	1,034,062	611,763	1,026,809	1,026,809	1,026,809	1,511,656	1,560,546	1,611,533
TOTAL ASSETS	657,217	1,056,585	1,059,366	691,807	1,469,639	1,469,639	1,469,639	2,440,114	2,544,711	2,654,748
LIABILITIES										
Current liabilities										
Bank overdraft	1,671							7,986	8,146	8,309
Borrowing	906	1,399	1,531	1,454	7,829	7,829	7,829	1,509	1,599	1,695
Consumer deposits	1,251	1,305	1,349	1,357	1,423	1,423	1,423	166,059	176,023	186,584
Trade and other payables	90,878	134,622	177,994	137,084	156,659	156,659	156,659			
Provisions	335	550	422	572	572	572	572	175,554	185,768	196,588
Total current liabilities	95,042	137,876	181,295	140,468	166,484	166,484	166,484	351,107	371,535	393,175

Non current liabilities								7,986	7,500	7,200
Borrowing	10,411	8,570	8,274	8,913	7,829	7,829	7,829	307,449	313,598	319,870
Provisions	14,881	17,989	19,142	14,661	301,421	301,421	301,421	315,435	321,098	327,070
Total non current liabilities	25,292	26,559	27,416	23,574	309,250	309,250	309,250	490,989	506,866	523,658
TOTAL LIABILITIES	120,333	164,435	208,711	164,042	475,734	475,734	475,734	842,096	878,401	916,833
NET ASSETS	536,884	892,151	850,655	527,765	993,905	993,905	993,905	1,020,667	1,053,680	1,087,875
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	536,884	892,151	850,655	527,765	993,905	993,905	993,905	1,020,667	1,053,680	1,087,875
Reserves	–	–	–	–	–	–	–			
TOTAL COMMUNITY WEALTH/EQUITY	536,884	892,151	850,655	527,765	993,905	993,905	993,905	1,020,667	1,053,680	1,087,875

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understand ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:

- Call investments deposits;
- Consumer debtors;
- Property, plant and equipment;
- Trade and other payables;
- Provisions non-current;
- Changes in net assets; and
- Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 24 MBRR Table A7 - Budgeted Cash Flow Statement

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates, penalties & collection charges	15,954	15,835	16,674	8,780	8,796	8,796	8,796	14,238	15,093	15,998
Service charges	44,968	54,706	69,184	63,178	48,831	48,831	48,831	99,798	105,786	112,133
Other revenue	–	583	1,102	17,172	14,585	14,585	14,585	14,027	14,868	15,760
Government - operating	80,423	139,772	153,428	83,002	81,702	81,702	81,702	82,580	87,535	92,787
Government - capital	46,545	–		64,218	64,218	64,218	64,218	98,761	97,042	73,400
Interest	411			1,599	1,599	1,599	1,599	28,899	30,633	32,471
Dividends								–	–	–
Payments										
Suppliers and employees	(117,533)	(153,362)	(169,284)	(201,525)	(176,798)	(176,798)	(176,798)	(217,480)	(230,529)	(244,360)
Finance charges	(2,918)	(8,339)	(10,202)	(1,200)	(1,200)	(1,200)	(1,200)	(17,835)	(18,905)	(20,040)
Transfers and Grants								–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	67,850	49,195	60,901	35,224	41,733	41,733	41,733	102,988	101,523	78,150
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	655	36	587					–	–	–
Decrease (Increase) in non-current debtors		–	–					–	–	–
Decrease (increase) other non-current receivables	(170)	287	(310)					–	–	–
Decrease (increase) in non-current investments								–	–	–
Payments										
Capital assets	(60,377)	(45,578)	(59,549)	(64,218)	(64,218)	(64,218)	(64,218)	(98,761)	(97,042)	(73,400)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(59,892)	(45,255)	(59,271)	(64,218)	(64,218)	(64,218)	(64,218)	(98,761)	(97,042)	(73,400)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		–						–	–	–
Borrowing long term/refinancing			–					–	–	–
Increase (decrease) in consumer deposits				147	132	132	132	145	154	163
Payments										
Repayment of borrowing	(1,062)	(1,349)	(813)	(8,636)	(8,637)	(8,637)	(8,637)	(486)	(300)	(7,200)

NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,062)	(1,349)	(813)	(8,489)	(8,504)	(8,504)	(8,504)	(341)	(146)	(7,037)
NET INCREASE/ (DECREASE) IN CASH HELD	6,896	2,592	817	(37,483)	(30,989)	(30,989)	(30,989)	3,886	4,334	(2,288)
Cash/cash equivalents at the year begin:	(7,777)	(881)	1,710	7,269	43,045	43,045	43,045	2,527	6,413	10,747
Cash/cash equivalents at the year end:	(881)	1,710	2,527	(30,213)	12,056	12,056	12,056	6,413	10,747	8,460

Table 25 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Cash and investments available</u>										
References	(881)	1,710	2,527	(30,213)	12,056	12,056	12,056	6,413	10,747	8,460
Other current investments > 90 days	3,696	1,198	577	48,487	9,700	9,700	9,700	9,754	8,216	11,642
Long-term receivables - Investment property	–	8,219	7,988	4,478	4,478	4,478	4,478	–	–	–
Cash and investments available:	2,815	11,127	11,092	22,752	26,234	26,234	26,234	16,167	18,964	20,102
<u>Application of cash and investments</u>										
Unspent borrowing	–	–	–	–	–	–	–	–	–	–
Statutory requirements										
Other working capital requirements	58,167	105,966	153,821	100,839	(356)	(356)	23,239	(48,269)	(108,405)	(114,909)
Other provisions										
Long term investments committed	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments										
Total Application of cash and investments:	61,847	107,058	153,913	101,974	1,914	1,914	25,509	(48,269)	(108,405)	(114,909)
Surplus(shortfall)	(59,032)	(95,930)	(142,821)	(79,222)	24,320	24,320	725	64,437	127,368	135,010

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The approved 2016/17 MTREF provide for a further net decrease in cash of R30 million for the 2016/17 financial year resulting in an overall projected negative cash position of R12 million at year end.
4. The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
5. Cash and cash equivalents totals a positive R6 million as at the end of the 2017/18 financial year and escalates to R8 million by 2019/20.
6. The cash in-flow of the municipality is based on the collection rate of 70%, with our current collection rate projected to go to 60% percent in the 2016/2017 financial year.
7. The repayment of outstanding Eskom account has been allocated the 8 million in the 2017/2018 financial year.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2013/14 to 2016/17 the deficit deteriorated from R59 million to R79 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the tabled 2017/18 MTREF will be funded.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. As can be seen the budget has been modelled to progressively move from a deficit of R59 million in 2013/14 to a surplus of R64 million by 2017/18.

Table 10 MBRR Table A9 - Asset Management

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CAPITAL EXPENDITURE									
<u>Total New Assets</u>	60,377	45,598	59,577	34,427	56,391	56,391	52,086	55,211	58,524
<i>Infrastructure - Road transport</i>	14,115	11,094	12,648	1,211	1,211	1,211	1,288	1,365	1,447
<i>Infrastructure - Electricity</i>	5,000	5,300	2,842	–	–	–	–	–	–
<i>Infrastructure - Water</i>	20,337	14,597	19,661	20,112	32,011	32,011	42,253	44,789	47,476
<i>Infrastructure - Sanitation</i>	680	4,160	7,729	279	10,403	10,403	–	–	–
<i>Infrastructure - Other</i>	3,588	9,024	8,943	1,415	376	376	7,690	8,152	8,641
Infrastructure	43,719	44,176	51,823	23,017	44,001	44,001	51,231	54,305	57,563
Community	16,658	–	6,213	11,410	12,389	12,389	855	906	960
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	–	1,403	1,514	–	–	–	–	–	–
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	20	28	–	–	–	–	–	–
<u>Total Renewal of Existing Assets</u>	–	–	–	29,791	7,827	7,827	46,675	49,476	52,444
<i>Infrastructure - Road transport</i>	–	–	–	3,708	3,916	3,916	12,545	13,298	14,096
<i>Infrastructure - Electricity</i>	–	–	–	–	–	–	5,000	5,300	5,618
<i>Infrastructure - Water</i>	–	–	–	21,984	–	–	5,596	5,932	6,288
<i>Infrastructure - Sanitation</i>	–	–	–	–	–	–	20,279	21,496	22,786
<i>Infrastructure - Other</i>	–	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	25,692	3,916	3,916	43,421	46,026	48,787
Community	–	–	–	4,099	3,911	3,911	3,255	3,450	3,657
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–

<u>Total Capital Expenditure</u>									
<i>Infrastructure - Road transport</i>	14,115	11,094	12,648	4,919	5,127	5,127	13,833	14,663	15,543
<i>Infrastructure - Electricity</i>	5,000	5,300	2,842	–	–	–	5,000	5,300	5,618
<i>Infrastructure - Water</i>	20,337	14,597	19,661	42,096	32,011	32,011	47,849	50,720	53,764
<i>Infrastructure - Sanitation</i>	680	4,160	7,729	279	10,403	10,403	20,279	21,496	22,786
<i>Infrastructure - Other</i>	3,588	9,024	8,943	1,415	376	376	7,690	8,152	8,641
Infrastructure	43,719	44,176	51,823	48,709	47,918	47,918	94,652	100,331	106,351
Community	16,658	–	6,213	15,509	16,300	16,300	4,109	4,356	4,617
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	–	1,403	1,514	–	–	–	–	–	–
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	20	28	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	60,377	45,598	59,577	64,218	64,218	64,218	98,761	104,687	110,968
ASSET REGISTER SUMMARY - PPE (WDV)									
<i>Infrastructure - Road transport</i>	330,466	749,465	737,232	329,068	361,224	361,224	368,449	375,818	383,334
<i>Infrastructure - Electricity</i>	8,216	5,300	2,842	9,300	66,753	66,753	68,088	69,449	70,838
<i>Infrastructure - Water</i>	218,590	83,414	100,478	230,147	220,691	220,691	225,105	229,607	234,199
<i>Infrastructure - Sanitation</i>	5,657	4,160	7,729	7,751	192,279	192,279	196,125	200,048	204,048
<i>Infrastructure - Other</i>		156,376	144,375		15,120	15,120	15,422	15,731	16,045
Infrastructure	562,928	998,714	992,656	576,266	856,067	856,067	873,189	890,652	908,465
Community	15,063	–	6,213	4,407	20,105	20,105	20,507	20,917	21,336
Heritage assets									
Investment properties	8,264	13,878	13,878	8,442	13,878	13,878	14,155	14,439	14,727
Other assets	12,791	5,761	6,102	15,991	129,929	129,929	132,528	135,179	137,882
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	23	50	25	52	25	25	25	25	25
Intangibles	28	73	66	27	66	66	66	66	66
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	599,096	1,018,477	1,018,938	605,186	1,020,070	1,020,070	1,040,469	1,061,277	1,082,501
EXPENDITURE OTHER ITEMS									
<u>Depreciation & asset impairment</u>	64,211	57,015	58,503	68,544	58,503	58,503	59,673	63,253	67,048
<u>Repairs and Maintenance by Asset Class</u>	10,510	15,405	18,427	11,213	9,564	9,564	13,231	14,025	14,866

<i>Infrastructure - Road transport</i>	4,090	3,396	3,057	2,220	1,820	1,820	3,300	3,498	3,708
<i>Infrastructure - Electricity</i>	1,750	2,650	3,256	2,320	2,481	2,481	2,405	2,549	2,702
<i>Infrastructure - Water</i>	1,000	4,992	3,779	2,502	2,502	2,502	4,455	4,722	5,006
<i>Infrastructure - Sanitation</i>	1,000	2,295	1,990	1,760	560	560	405	429	455
<i>Infrastructure - Other</i>	800	340	792	300	200	200	350	371	393
Infrastructure	8,640	13,673	12,875	9,102	7,563	7,563	10,915	11,570	12,264
Community	1,410	865	2,957	591	560	560	1,196	1,268	1,344
Heritage assets	–	686	1,270	1,400	1,391	1,391	1,040	1,102	1,169
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	460	180	1,325	120	50	50	80	85	90
TOTAL EXPENDITURE OTHER ITEMS	74,721	72,420	76,930	79,757	68,067	68,067	72,904	77,278	81,914
<i>Renewal of Existing Assets as % of total capex</i>	0.0%	0.0%	0.0%	46.4%	12.2%	12.2%	47.3%	47.3%	47.3%
<i>Renewal of Existing Assets as % of deprecn"</i>	0.0%	0.0%	0.0%	43.5%	13.4%	13.4%	78.2%	78.2%	78.2%
<i>R&M as a % of PPE</i>	1.8%	1.5%	1.8%	1.9%	1.0%	1.0%	0.0%	0.0%	0.0%
<i>Renewal and R&M as a % of PPE</i>	2.0%	2.0%	2.0%	7.0%	2.0%	2.0%	6.0%	6.0%	6.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.

Table 11 MBRR Table A10 - Basic Service Delivery Measurement

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Household service targets</u>									
<u>Water:</u>									
Piped water inside dwelling	7,332	7,992	8,202	8,366	8,366	8,366	8,533	8,704	8,878
Piped water inside yard (but not in dwelling)	2,006	2,232	2,232	2,254	2,254	2,254	2,299	2,345	2,392
Using public tap (at least min.service level)	1,502	1,691	1,083	1,094	1,094	1,094	1,116	1,138	1,161
Other water supply (at least min.service level)	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	10,840	11,915	11,517	11,714	11,714	11,714	11,948	12,187	12,431
Using public tap (< min.service level)	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	–	–	–	–	–	–	–	–	–
No water supply	6,478	7,873	7,873	7,005	7,005	7,005	7,145	7,288	7,434
<i>Below Minimum Service Level sub-total</i>	6,478	7,873	7,873	7,005	7,005	7,005	7,145	7,288	7,434
Total number of households	17,318	19,788	19,390	18,719	18,719	18,719	19,094	19,475	19,865
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)	13,868	15,597	14,322	15,597	15,597	15,597	15,909	16,227	16,552
Flush toilet (with septic tank)	–	–	–	–	–	–	–	–	–
Chemical toilet	–	–	–	–	–	–	–	–	–
Pit toilet (ventilated)	–	–	–	–	–	–	–	–	–
Other toilet provisions (> min.service level)	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	13,868	15,597	14,322	15,597	15,597	15,597	15,909	16,227	16,552
Bucket toilet	–	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)	–	–	–	–	–	–	–	–	–
No toilet provisions	3,450	4,191	4,191	4,191	4,191	4,191	4,275	4,360	4,448
<i>Below Minimum Service Level sub-total</i>	3,450	4,191	4,191	4,191	4,191	4,191	4,275	4,360	4,448
Total number of households	17,318	19,788	18,513	19,788	19,788	19,788	20,184	20,587	20,999
<u>Energy:</u>									
Electricity (at least min.service level)	3,491	3,498	3,498	3,638	3,638	3,638	3,711	3,785	3,861
Electricity - prepaid (min.service level)	2,066	2,486	2,486	2,585	2,585	2,585	2,637	2,690	2,744
<i>Minimum Service Level and Above sub-total</i>	5,557	5,984	5,984	6,223	6,223	6,223	6,348	6,475	6,604
Electricity (< min.service level)	–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–	–	–	–	–	–
Other energy sources	11,761	13,804	13,804	12,835	12,835	12,835	13,092	13,354	13,621
<i>Below Minimum Service Level sub-total</i>	11,761	13,804	13,804	12,835	12,835	12,835	13,092	13,354	13,621

Total number of households	17,318	19,788	19,788	19,058	19,058	19,058	19,440	19,828	20,225
<u>Refuse:</u>									
Removed at least once a week	13,204	14,402	14,402	14,975	14,975	14,975	15,275	15,580	15,892
<i>Minimum Service Level and Above sub-total</i>	13,204	14,402	14,402	14,975	14,975	14,975	15,275	15,580	15,892
Removed less frequently than once a week	–	–	–	–	–	–	–	–	–
Using communal refuse dump	–	–	–	–	–	–	–	–	–
Using own refuse dump	–	–	–	–	–	–	–	–	–
Other rubbish disposal	–	–	–	–	–	–	–	–	–
No rubbish disposal	4,114	4,813	4,813	4,701	4,701	4,701	4,795	4,891	4,989
<i>Below Minimum Service Level sub-total</i>	4,114	4,813	4,813	4,701	4,701	4,701	4,795	4,891	4,989
Total number of households	17,318	19,215	19,215	19,676	19,676	19,676	20,070	20,471	20,880
<u>Households receiving Free Basic Service</u>									
Water (6 kilolitres per household per month)	4,697	5,925	4,773	4,549	6,181	6,181	6,500	6,890	7,303
Sanitation (free minimum level service)	4,697	5,925	4,773	4,549	6,181	6,181	6,500	6,890	7,303
Electricity/other energy (50kwh per household per month)	4,697	5,925	4,773	4,549	6,181	6,181	6,500	6,890	7,303
Refuse (removed at least once a week)	4,697	5,925	4,773	4,549	6,181	6,181	6,500	6,890	7,303
<u>Cost of Free Basic Services provided - Formal Settlements (R'000)</u>									
Water (6 kilolitres per indigent household per month)	7,460	9,230	6,895	5,679	28,175	28,175	31,038	32,901	34,875
Sanitation (free sanitation service to indigent households)	2,339	6,648	5,022	4,050	6,041	6,041	6,792	7,200	7,632
Electricity/other energy (50kwh per indigent household per month)	3,014	2,945	2,369	2,045	2,034	2,034	2,321	2,461	2,608
Refuse (removed once a week for indigent households)	5,274	7,706	5,818	4,693	7,030	7,030	7,905	8,379	8,882
<u>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</u>	–	–	–	–	–	–	–	–	–
Total cost of FBS provided	18,086	26,529	20,103	16,467	43,280	43,280	48,056	50,940	53,996
<u>Highest level of free service provided per household</u>									
Property rates (R value threshold)	20,000	20,000	20,000	20,000	20,000	20,000	15,000	15,000	15,000
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)					–	–			
Sanitation (Rand per household per month)	84	97	103	109	109	109	–	–	–
Electricity (kwh per household per month)	50	50	50	53	53	53	–	–	–
Refuse (average litres per week)	85	85	85	89	89	89	–	–	–
<u>Revenue cost of subsidised services provided (R'000)</u>									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)	557	674	715	780	780	780	–	–	–

Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)	3,181	778	1,167	21,746	21,579	21,579	22,532	23,884	25,317
Water (in excess of 6 kilolitres per indigent household per month)	-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)	-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)	-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)	-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total revenue cost of subsidised services provided	3,738	1,452	1,882	22,526	22,359	22,359	22,532	23,884	25,317

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The budget provides for 6 500 households to be registered as indigent in 2017/18, and therefore entitled to receiving Free Basic Services. The number is set to increase to 7 500 in 2019/20.
3. It is anticipated that these Free Basic Services will cost the municipality R48 million in 2017/18, increasing to R53 million in 2017/18. This is covered by the municipality's equitable share allocation from national government.
4. In addition to the Free Basic Services, Nketoana also 'gives' households R22 million in free services in 2017/18, and it increases to R25 million in 2019/20. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 7 per cent of total operating revenue.

Part 2 – Supporting Documentation

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- That there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- That the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.2 Budget Process Overview

FINAL TIMELINE FOR 2017-18 BUDGET

Budget Activity	Timeline	Responsible Person
1. Budget Steering Committee.	06 th September 2016	Mayor
2. Preparation of Budget guidelines	12 th – 23 rd September 2016	CFO
3. Review the IDP to include programmes to be budgeted for 2017/18	09 th September 2016 – 31 st October 2016	CFO
4. 1 st Quarter Budget Assessment Report	14 th October 2016	BTO
5. Budget Steering Committee Meeting.	11 th January 2017	Mayor
6. 2 nd Quarter Budget assessment Report and Submission of half yearly budget report.	17 th January 2017	BTO
7. Submit Mid Term Budget Report to Council.	27 th January 2017	Mayor
8. Submission of Adjustment Budget to council.	27 th January 2017	Mayor
9. Obtain comments on the New Tariffs.	30 th January 2017	Mayor
10. Finalization of IDP Projects and Funding	01 st – 13 th February 2017	Manager IDP
11. Treasury visits for Sec 72 Reports	24 th February 2017	CFO
12. Submit the draft budget to the Mayor.	07 th – 31 st March 2017	CFO/MM
13. Budget Steering Committee	17 th March 2017	Mayor
14. Finalize the Draft Budget	22 nd March 2017	CFO/MM
15. Council Meeting to table the draft budget.	30 th March 2017	Mayor
16. Obtain comments from the public on draft budget 2017/18	01 st -30 th April 2017	Mayor
17. Budget and Benchmark Assessment	4 th May 2017	CFO
18. Budget Steering Committee Meeting	09 th May 2017	Mayor
19. Finalize budget and tariffs for 2017-2019	12 th May 2017	CFO/MM
20. Submit final budget to the Mayor.	17 th May 2017	MM
21. Approval of the budget.	26 th May 2017	Council
22. Budget Steering Committee.	06 th September 2016	Mayor
23. Preparation of Budget guidelines	12 th – 23 rd September 2016	CFO
24. Review the IDP to include programmes to be budgeted for 2017/18	09 th September 2016 – 31 st October 2016	CFO

There were no major deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.3 Community Consultation, IDP and Service Delivery and Budget Implementation Plan

The 2017/18 MTREF budget was tabled before council on 31 March 2017 and for community consultation the municipality advertised on local newspaper and also had pamphlets distributed at the supermarkets and our customer care offices, municipal notice boards and various municipal offices and libraries. The community participation was open for the month of May 2017.

The municipality was invited by Provincial Treasury for budget bilateral to present the budget on the 21st April 2017.

The following was the transversal resolutions during the budget engagements.

- Municipalities to ensure that all inputs, including feedback on the technical assessments, provided during the 21 -24 April Budget engagements have been incorporated into the budget to be tabled to council for adoption on/or before 31 May 2017.
- Municipalities must submit all outstanding budget related documents, including draft IDP/Budget (hard copies and electronic copies) to Provincial and National Treasury as prescribed.
- Municipalities must attend the Lottery workshops arranged across the Province in order to access funds.
- Municipalities must follow up on EPWP reporting and ensure the targets are met.
- All municipalities with debt older than 30 days owed to FS Fleet must enter into payment agreements.
- Section 42 transfers in terms of Government Immovable Asset Management Act;
 - ✓ All municipalities to transfer assets to the department of public works and Infrastructure e.g. schools, clinic and libraries.
 - ✓ Department of public works and infrastructure to transfer assets to municipalities' e.g. RDP houses, Community Centres and Churches.
- All municipalities to reduce SCM deviations and improve internal controls to strengthen SCM compliance.
- CoGTA: PMS unit to support municipalities on conclusion of performance agreements and employment contracts of the section 56 and 57 managers.
- DESTEA to arrange a workshop with all municipalities on compliance with regard to landfill site and application process for the EI studies.
- CoGTA: LED unit to assist the municipalities with the review of their LED strategies.
- Municipalities to table credible, compliant, funded and sustainable budgets in Municipal Council as per MFMA & MBRR.
- Municipalities to curb overtime in line with threshold spelt out in the Basic Condition of Employment Act.
- Municipalities to ensure that the mSCOA deadline of 1 July 2017 is adhered to.
- The DG to commission a team to provide a review document on the role of the districts and the fire services.

- Municipalities to ensure that the MFMA section 32 committees are established and Provincial Treasury to provide training to committee members on how to deal with Unauthorised, Irregular, Fruitless and Wasteful expenditure

NKETOANA RESOLUTIONS

- The municipality to obtain guidance from CoGTA and Provincial Treasury regarding the Internal Audit Manager who is now acting as a CFO.
- The municipality must submit the Council adopted Financial Recovery Plan to both Provincial and National Treasuries together with the council resolutions before the 15th May 2017 and to provide the implementation progress report on a monthly basis to both departments.
- The municipality to submit motivation for the filling of critical vacant positions to CoGTA.

2.4 Overview of alignment of annual budget and IDP and strategic objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for Nketoana Local Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building clean, healthy, safe, and sustainable communities, financial viability, and sound institutional governance.

Local priorities were identified as part of the IDP review process, which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide roads and storm water;
 - Provide stands;
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;

- Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
3. Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
 - Extending waste removal services and ensuring effective city cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with Police to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning.
4. Good governance, financial viability and institutional governance:
- Reviewing the use of contracted services;
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan;
 - Publishing the outcomes of all tender processes on the municipal website;
 - To create financially sustainable and accountable municipality.

Table 12 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Local Economic Development	To create employment opportunities in the Nketoana	1,500	7,555	4,460	4,460	4,460	4,460	4,460	4,728	5,011
Urban Planning	To ensure an effective urban planning that will promote proper spatial planning to address sustainable development and social cohesion	1,300	3,587	3,871	3,872	3,877	3,877	1,862	1,974	2,093
Institutional Building	To facilitate institutional transformation and development in the Nketoana local municipality	21,871	21,273	20,028	20,253	19,521	19,521	8,546	9,059	9,603
Municipal Financial viability and Management	To monitor, evaluate and improve the financial viability of the Nketoana local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	83,565	81,124	54,057	73,623	37,524	37,524	82,334	89,124	95,646
Traffic and Parking	To ensure effective traffic management and parking in the Nketoana municipal area	8,135	4,680	6,061	6,076	237	237	330	350	371
Sanitation	To ensure that 100% of households in formal settlements in the Nketoana municipal area have access to basic level of sanitation by 2017	17,000	21,506	44,917	28,949	44,915	44,915	48,155	51,045	54,107
Refuse Removal	To ensure that all households in urban areas have access to waste removal according to waste removal standards and good waste management in the municipal area	18,324	28,443	29,462	30,460	35,780	35,780	36,696	38,898	41,232
Electricity Reticulation	To Ensure that 100% of households in Nketoana Municipal area have access to electricity	34,000	55,604	48,724	65,499	55,771	55,771	57,484	60,933	64,589
Water	To ensure that 100% of households in fomal and informal settlement in the Nketoana Municipal area have acess to basic level of water	37,000	39,901	64,624	93,742	109,133	109,133	131,350	139,231	147,585
Municipal Roads and Storm Water	To ensure that the Internal Roads in the Nketoana Municipal area are maintained and/ upgraded to facilitate economic and social activity required for the sustainable development	38,001	18,975	24,216	15,720	15,928	15,928	20,335	21,555	22,849

Parks and Cemeteries	To ensure effective management of graveyards and cemeteries in the Nketoana Municipal area	2,820	12,317	15,170	20,911	21,889	21,889	5,306	5,625	5,962
Sport and Recreational Facilities	To ensure access to quality sport and recreational facilities in the Nketoana municipal area	853	3,881	11,268	8,457	8,269	8,269	5,613	5,950	6,307
Allocations to other priorities										
Total Revenue (excluding capital transfers and contributions)		264,369	298,847	326,857	372,023	357,306	357,306	402,473	428,471	455,354

Table 31 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Local Economic Development	To create employment opportunities in the Nketoana	2,050	3,266	2,599	2,446	2,348	2,348	2,444	2,590	2,746
Urban Planning	To ensure an effective urban planning that will promote proper spatial planning to address sustainable development and social cohesion	1,800	3,692	2,141	1,555	2,031	2,031	2,055	2,178	2,309
Institutional Building	To facilitate institutional transformation and development in the Nketoana local municipality	18,389	17,532	25,188	23,466	26,475	26,475	27,296	28,934	30,670
Municipal Financial viability and Management	To monitor, evaluate and improve the financial viability of the Nketoana local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	71,836	103,963	112,640	41,589	43,431	43,431	63,175	66,965	70,983
Traffic and Parking	To ensure effective traffic management and parking in the Nketoana municipal area	10,974	6,036	9,944	11,020	4,467	4,467	5,690	6,031	6,393
									-	-

Sanitation	To ensure that 100% of households in formal settlements in the Nketoana municipal area have access to basic level of sanitation by 2017	45,292	29,205	27,176	29,247	28,646	28,646	27,175	28,805	30,534
Refuse Removal	To ensure that all households in urban areas have access to waste removal according to waste removal standards and good waste management in the municipal area	33,529	20,672	17,500	17,584	27,551	27,551	27,400	–	–
Electricity Reticulation	To Ensure that 100% of households in Nketoana Municipal area have access to electricity	48,131	60,271	59,912	64,024	69,558	69,558	81,450	86,337	91,517
Water	To ensure that 100% of households in formal and informal settlement in the Nketoana Municipal area have access to basic level of water	46,897	42,508	41,400	40,990	73,351	73,351	35,855	38,006	40,287
Municipal Roads and Storm Water	To ensure that the Internal Roads in the Nketoana Municipal area are maintained and/ upgraded to facilitate economic and social activity required for the sustainable development	57,097	68,277	60,512	54,367	43,450	43,450	48,302	51,201	54,273
Parks and Cemeteries	To ensure effective management of graveyards and cemeteries in the Nketoana Municipal area	3,086	6,773	8,640	20,671	14,342	14,342	15,423	16,348	17,329
Sport and Recreational Facilities	To ensure access to quality sport and recreational facilities in the Nketoana municipal area	882	714	504	466	475	475	654	693	735
Allocations to other priorities										
Total Expenditure		339,963	362,911	368,157	307,425	336,124	336,124	336,919	357,133	378,561

2.5 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with Legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the intergraded planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance, which in turn is directly linked to the HOD's performance.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- ❖ Planning (setting goals, objectives, targets and benchmarks);
- ❖ Monitoring (regular monitoring and checking on the progress against plan);
- ❖ Measurement (indicators of success);
- ❖ Review (identifying areas requiring change and improvement);
- ❖ Reporting (what information, to whom, from whom, how often and for what purpose); and
- ❖ Improvement (making changes where necessary).

FS193 Nketoana - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
EXECUTIVE AND COUNCIL	To ensure good governance and public participation in the Nketoana local municipality	2.0%	3.0%							
Municipal Manager		2.0%	2.0%							
Speakers office		1.0%	0.5%	0.5%	2.5%	2.5%	2.5%	2.7%	2.8%	3.0%
Mayors office										

FINANCE AND ADMIN	To monitor, evaluate and improve the financial viability of the Nketoana local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	14.0%	11.0%	11.0%	13.0%	13.0%	13.0%	13.8%	14.6%	15.5%
<i>Finance</i>		4.0%	7.0%							
Corporate services										
COMMUNITY SERVICES AND SOCIAL	Routine maintainance of recreational facilities, cemeteries and traffic control of traffic	2.0%	2.0%							
<i>Parks and Cemetery</i>		1.0%	1.0%	1.0%	3.0%	3.0%	3.0%	3.2%	3.4%	3.6%
Traffic and fire services		0.3%	0.2%							
Sports		2.0%	0.5%							
other community and social				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
SOLID WASTE MANAGEMENT	Number of credible IWMPs developed	10.0%	7.0%	7.0%	2.5%	2.5%	2.5%	2.7%	2.8%	3.0%
<i>Refuse removal</i>				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
LOCAL ECONOMIC DEVELOPMENT	Number of job opportunities created	0.5%	0.7%							
<i>Economic Development</i>		0.2%	0.3%	0.3%	2.3%	2.3%	2.3%	2.4%	2.6%	2.7%
Tourism										
ROADS AND STORM WATER	Number of projects completed according to quality and quantity specifications	16.0%	21.0%							
Roads										
Stormwater				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
WATER	Number of households with access to at least RDP level of water, provision of water into the Nketoana as a whole	14.0%	12.0%							
<i>Water</i>				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
ELECTRICITY	Number of households with access to basic level of electricity	23.0%	21.0%	21.0%						
<i>Electricity</i>										
				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
WASTE MANAGEMENT	Number of households with access to basic level of sanitation	10.0%	7.0%							
<i>Waste Water Management</i>				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
HOUSING	Number of credible SDF's developed and approved, sector plans approved and number of housing demand database	0.5%	0.7%	0.7%	2.7%	2.7%	2.7%	2.9%	3.0%	3.2%
<i>Urban and planning and housing</i>										

2.6 Overview of budget related-policies

The Nketoana's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- **Credit control and debt collection Policy**

It was also brought to the attention of the Council that outstanding debt (excluding rates that expires after 30 years), do expire after three (3) years under certain conditions.

A workshop was held by the Council and Management on, inter alia, the Revenue Policies at Bass Feather Lodge in December 2016. All approved policies were accepted by Council except for the postponement of the implementation of the 30/70% debt collection via the pre-paid electricity system as per the Credit Control and Debt Collection policy. The latest changes on the policies/by-laws were tabled to in Council on 31 March 2017.

- **Fixed Asset Management Policy**

The utilization and management of property, plant and equipment is the prime mechanism by which a municipality can fulfil its constitutional mandates for :

- ✓ Delivery of sustainable services,
- ✓ Social and economic development,
- ✓ Promoting safe and healthy environments; and
- ✓ Providing the basic needs to the community.

As trustees on behalf of the local community, the municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in property, plant and equipment.

- **Supply Chain Management Policy**

The Supply Chain Management Policy was tabled in Council in March 2017. The was also another policy which was tabled with the SCM Policy which is the SCM Policy for Infrastructure & Delivery Management

MFMA Circular No 77: Model SCM Policy for Infrastructure Delivery Management provides guidance to municipalities and municipal entities on the establishment of a suitable supply chain management system for infrastructure delivery which is better able to deliver value for money, while minimizing the scope for corruption.

- **Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Nketoana's system of delegations. The Budget and Virement Policy was tabled in Council for review in March 2017 in respect of both Operating and Capital Budget Fund Transfers.

- **Banking and Investment Policy**

The Nketoana's banking and Investment Policy was also tabled in Council in March 2017. The aim of the policy is to ensure that the Nketoana's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

- **Tariff Policy**

The Nketoana's tariff policy provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery.

- **Indigent Policy**

The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the council and to provide procedures and guidelines for the subsidization of basic service (s) charges to its indigent households, using the council's budgetary provisions and/or funds received from central government in accordance with prescribed policy guidelines.

- **Property Rates Policy**

This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy. Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality's valuation roll and supplementary valuation roll.

2.7 Overview of budget assumptions

Key budget assumptions municipality used is as follows:

- The municipality is expected to budget based on its strength to collect revenue
- Repairs and Maintenance as this will assist in the life span of an asset
- Refrain from budgeting for luxury furniture and non-priorities such as excessive catering (MFMA circular 82)
- Increase the labour force by way of implementing EPWP programmes
- CPI 6.4% MFMA circular 86
- New tariffs have been proposed by the departments and they are also going to be provided with targets in order to ensure proper implementation of tariffs
- The municipality is going to consider the possibility of buying the new Compact Track and TLB in an effort to decrease contracted costs.
- The revenue enhancement committee established by the municipality must work hand in hand with the official from Provincial Treasury (Mr Keele Mbatha).
- The tabled budget had a deficit of 70 Million which management took a decision to cut down the Operational expenditure budget by 23%, except on Employee related cost, Council remuneration, Depreciation, Finance Charges and Bulk Purchases.
- The electricity tariffs have been applied for at Nersa at the 1.88 percentage increase.
- The repayment of plan has been provided for on the budget of 2017/2018 with 8 million being for repayment of arrears debt.
- The municipality has established the cash flow committee in an effort to properly manage the payments being made and ensure that there are no critical supplier not being paid.
- The municipality is anticipating to reach the 70 percent collection on the 2017/2018 financial year.
- There is also a system of debt collection the municipality is also going to buy in the next financial year which is going to be assisting with the debt collection. The system will assist the municipality by issuing final notice to summons and will also be in showing how much the municipality will be collecting from outstanding debt.

2.8 Overview of budget funding

In terms of DoRA allocation, there is an Unconditional grant of R82 million for 2017/18 financial year, R89 million and R 95million respectively for 2018/19 and 2019/20.

Capital budget is funded by MIG of R25 million, RBIG of R 68 million and R5 million for the budget year

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
RECEIPTS:									
–									
<u>Operating Transfers and Grants</u>									
National Government:	81,559	82,649	84,163	83,002	81,702	81,702	82,580	89,385	95,923
Local Government Equitable Share	78,119	79,011	80,525	79,054	79,054	79,054	79,880	87,430	93,708
Finance Management	1,550	1,600	1,600	1,625	1,625	1,625	1,700	1,955	2,215
Municipal Systems Improvement	890	934	930	1,300			–		
EPWP Incentive	1,000	1,104	1,108	1,023	1,023	1,023	1,000	–	–
Other transfers/grants [insert description]									
Provincial Government:	–	–	–	–	–	–	–	–	–
Other transfers/grants [insert description]									
District Municipality:	–	–	–	–	–	–	–	–	–
[insert description]									
Other grant providers:	–	–	–	–	–	–	–	–	–
[insert description]									
Total Operating Transfers and Grants	81,559	82,649	84,163	83,002	81,702	81,702	82,580	89,385	95,923
<u>Capital Transfers and Grants</u>									
National Government:	44,297	–	62,773	64,218	64,218	64,218	98,761	97,042	73,400
Municipal Infrastructure Grant (MIG)	32,297		24,633	24,218	24,218	24,218	25,755	27,042	28,400

Regional Bulk Infrastructure Integrated National Electrification Programme	12,000		30,000 3,240 – – 4,900	40,000	40,000	40,000	68,006 5,000	65,000 5,000	40,000 5,000
ACIP									
Provincial Government:	–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]									
District Municipality:	–	–	–	–	–	–	–	–	–
[insert description]									
Other grant providers:	–	–	–	–	–	–	–	–	–
[insert description]									
Total Capital Transfers and Grants	44,297	–	62,773	64,218	64,218	64,218	98,761	97,042	73,400
TOTAL RECEIPTS OF TRANSFERS & GRANTS	125,856	82,649	146,936	147,220	145,920	145,920	181,341	186,427	169,323

2.9 Councillor and employee benefits

We have budgeted 7.36% in terms of SALGA salary increase for both staff and councillors

Summary of Employee and Councillor remuneration	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
	A	B	C	D	E	F	G	H	I
<u>Councillors (Political Office Bearers plus Other)</u>									
Basic Salaries and Wages	4,388	3,755	4,332	4,592	4,592	4,592	6,701	7,103	7,530
Pension and UIF Contributions		530	613	650	650	650	445	472	501
Medical Aid Contributions		–	42	44	44	44	15	16	16
Motor Vehicle Allowance	1,041	1,341	1,037	1,099	1,099	1,099	1,176	1,247	1,322
Cellphone Allowance	238	359	340	361	361	361	502	532	564
Housing Allowances		–	–	–	–	–		–	–
Other benefits and allowances		269	299	317	317	317	213	225	239
Sub Total - Councillors	5,667	6,255	6,663	7,063	7,063	7,063	9,053	9,596	10,172
% increase		10.4%	6.5%	6.0%	–	–	–	6.0%	6.0%
<u>Senior Managers of the Municipality</u>									
Basic Salaries and Wages	7,044	4,661	4,949	5,246	5,246	5,246	5,614	5,950	6,307

Pension and UIF Contributions		147	156	166	166	166	177	188	199
Medical Aid Contributions	239	–	–	–	–	–	–	–	–
Overtime	–	–	–	–	–	–	–	–	–
Performance Bonus	941	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	824	918	975	1,034	1,034	1,034	1,106	1,172	1,243
Cellphone Allowance	50	119	127	134	134	134	144	152	162
Housing Allowances	15	268	285	302	302	302	323	342	363
Other benefits and allowances	1,926	221	234	248	248	248	266	282	299
Payments in lieu of leave		65	70	74	74	74	79	84	89
Long service awards									
Post-retirement benefit obligations									
Sub Total - Senior Managers of Municipality	11,039	6,401	6,796	7,204	7,204	7,204	7,708	8,171	8,661
% increase		(42.0%)	6.2%	6.0%	–	–	–	6.0%	6.0%
Other Municipal Staff									
Basic Salaries and Wages	30,630	40,592	41,157	43,279	43,279	43,279	55,430	58,756	62,281
Pension and UIF Contributions	6,340	8,360	8,728	8,065	8,065	8,065	8,865	9,396	9,960
Medical Aid Contributions	1,632	2,152	2,247	2,456	2,456	2,456	2,696	2,858	3,029
Overtime	1,532	4,337	2,562	3,402	3,402	3,402	7,414	7,859	8,331
Performance Bonus	3,428	3,227	3,369	3,623	3,623	3,623	3,496	3,706	3,929
Motor Vehicle Allowance	1,303	2,294	2,395	2,594	2,594	2,594	1,989	2,108	2,235
Cellphone Allowance	857	303	316	340	340	340	249	264	279
Housing Allowances	46	201	210	225	225	225	684	725	768
Other benefits and allowances	2,964	2,192	2,289	4,009	4,009	4,009	5,060	5,364	5,685
Payments in lieu of leave		433	452						
Long service awards	1,235	344	359						
Post-retirement benefit obligations									
Sub Total - Other Municipal Staff	49,967	64,435	64,083	67,992	67,992	67,992	85,882	91,035	96,498
% increase		29.0%	(0.5%)	6.1%	–	–	–	6.0%	6.0%
Total Parent Municipality	66,673	77,091	77,542	82,258	82,258	82,258	102,643	108,802	115,330
TOTAL SALARY, ALLOWANCES & BENEFITS		15.6%	0.6%	6.1%	–	–	–	6.0%	6.0%
	66,673	77,091	77,542	82,258	82,258	82,258	102,643	108,802	115,330
% increase		15.6%	0.6%	6.1%	–	–	–	6.0%	6.0%
TOTAL MANAGERS AND STAFF	61,006	70,836	70,879	75,196	75,196	75,196	93,591	99,206	105,158

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4		433,341	25,419	171,849			630,608
Chief Whip			237,850		133,905			371,755
Executive Mayor			518,984	54,465	205,431			778,880
Deputy Executive Mayor								–
Executive Committee			664,849	48,700	328,556			1,042,105
Total for all other councillors				150,787	859,068			1,009,855
Total Councillors	8	–	1,855,023	279,370	1,698,810			3,833,203
Senior Managers of the Municipality	5							
Municipal Manager (MM)			940,970	255,487	322,651			1,519,108
Chief Finance Officer			607,587	160,942	150,040			918,569
Director Corporate Services			926,645	–	158,312			1,084,957
Director Community Services			878,770	35,296	112,400			1,026,466
Director Infrastructure Services			732,131	3,569	255,996			991,696
								–
<i>List of each official with packages >= senior manager</i>								
Manager IDP and PMS			339,550	159,684	71,796	28,296		599,326
Manager Internal Audit and Risk management			339,550	99,384	119,820	28,296		587,050
Manager Budget and Treasury				–	–			–
Manager Income			339,550	94,332	90,060	28,296		552,238
Manager Budget and Expenditure			339,550	53,220	76,944	28,296		498,010
Manager Supply Chain			339,550	59,136	81,456	28,296		508,438
Manager LED			339,550	71,268	124,800	28,296		563,914
Manager Tourism			339,550	79,356	118,896	28,296		566,098
Manager Records			339,550	92,544	118,548	28,296		578,938
Manager Human Resources			339,550	80,554	134,148	28,296		582,548
Manager Parks and Cemetery and Solid waste			339,550	63,396	58,956	28,296		490,198
Manager Waste Water and Water			339,550	94,644	118,896	28,296		581,386
Manager Electricity			339,550	59,988	126,084	28,296		553,918
Total Senior Managers of the Municipality	8,10	–	8,160,700	1,462,800	2,239,803	339,550		12,202,853
A Heading for Each Entity	6,7							
List each member of board by designation								
Manager Urban and Planning			339,550	83,916	133,332	28,296		585,094
Manager Roads			339,550	108,108	135,168	28,296		611,122

Manager Traffic, Fire and Safety			339,550	90,876	135,168	28,296		593,890
								-
								-
								-
								-
								-
								-
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								-
								-
								-
								-
								-
Total for municipal entities	8,10	-	1,018,649	282,900	403,668	84,887		1,790,105
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	-	11,034,372	2,025,070	4,342,281	424,437		17,826,161

The municipality does not have an entity. We put information on this sheet due to lack of space, the document did not allow us to insert the lines or edit it. We had to capture this information that will reflect all other managers to be consistent with the organisational structure as it stands currently.

2.10 Monthly targets for revenue, expenditure and cash flow

FS193 Nketoana - Supporting Table

A30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash Receipts By Source													1		
Property rates	1,125	1,057	1,006	1,001	987	1,206	1,465	1,056	1,145	1,007	1,356	1,828	14,238	15,093	15,998
Service charges - electricity revenue	1,786	1,745	1,415	2,786	2,855	2,762	3,808	2,543	2,851	2,148	4,527	5,733	34,958	37,056	39,279
Service charges - water revenue	2,997	2,999	2,895	2,995	2,848	2,749	2,990	3,000	2,978	2,986	2,999	3,494	35,927	38,083	40,368
Service charges - sanitation revenue	1,233	1,359	1,146	1,236	1,457	1,057	1,249	1,069	1,259	1,186	1,233	1,313	14,794	15,682	16,623
Service charges - refuse revenue	1,177	1,166	1,056	1,259	1,146	1,177	1,056	1,257	1,123	1,046	1,177	1,479	14,119	14,966	15,864
Service charges - other												-			
Rental of facilities and equipment	17	12	33	25	13	30	24	31	32	44	48	84	393	417	442
Interest earned - external investments	96	87	100	89	115	128	113	110	109	100	125	132	1,304	1,382	1,465
Interest earned - outstanding debtors	2,300	2,469	2,256	2,690	2,147	2,146	2,958	2,215	2,099	2,144	2,057	2,117	27,595	29,251	31,006
Dividends received												-			

Fines, penalties and forfeits	9	10	13	12	12	15	16	18	2	40	28	19	215	227	241
Licences and permits												–			
Agency services												–			
Transfer receipts - operational	20,645		20,645			20,645			20,645			0	82,580	87,535	92,787
Other revenue	726	813	859	940	1,267	1,258	1,288	1,390	1,355	1,345	1,100	1,079	13,419	14,224	15,077
Cash Receipts by Source	32,109	11,715	31,423	13,031	12,845	33,172	14,967	12,687	33,622	12,045	14,649	17,278	239,542	253,915	269,150
Other Cash Flows by Source															
Transfer receipts - capital	24,690		24,690			24,690			24,690			–	98,761	97,042	73,400
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)												–			
Proceeds on disposal of PPE												–			
Short term loans												–			
Borrowing long term/refinancing												–			
Increase (decrease) in consumer deposits	12	12	12	12	12	12	12	12	12	12	12	12	145	154	163
Decrease (Increase) in non-current debtors												–			
Decrease (increase) other non-current receivables												–			
Decrease (increase) in non-current investments												–			
Total Cash Receipts by Source	56,811	11,727	56,125	13,043	12,857	57,875	14,979	12,699	58,325	12,057	14,661	17,290	338,448	351,110	342,712
Cash Payments by Type															
Employee related costs	5,753	5,988	7,155	6,231	7,102	7,115	7,410	8,353	9,592	9,827	9,899	9,165	93,591	99,206	105,158
Remuneration of councillors	705	749	744	743	735	745	744	748	756	747	756	911	9,083	9,628	10,206
Finance charges	1,300	1,300	1,400	1,400	1,400	1,400	1,400	1,460	1,460	1,430	1,456	2,429	17,835	18,905	20,040
Bulk purchases - Electricity	2,533	3,700	3,501	4,855	4,945	4,123	4,989	4,256	5,588	5,855	5,989	(621)	49,711	52,694	55,855
Bulk purchases - Water & Sewer	39	79	80	60	50	79	79	60	79	30	53	59	745	790	837
Other materials	589	156	650	408	869	1,886	433	939	1,763	796	1,525	175	10,188	10,799	11,447
Contracted services	590	490	690	488	700	856	889	990	989	948	959	576	9,163	9,713	10,296
Transfers and grants - other municipalities												–		–	–
Transfers and grants - other												–		–	–
Other expenditure	1,570	1,458	3,895	3,149	4,182	3,589	3,486	3,485	2,016	3,582	3,049	3,537	36,999	39,219	41,572
Cash Payments by Type	13,078	13,918	18,114	17,332	19,982	19,794	19,431	20,291	22,244	23,215	23,685	16,231	227,315	240,954	255,411
Other Cash Flows/Payments by Type															
Capital assets	8,025	7,853	8,421	8,095	7,997	5,732	9,870	9,052	8,113	8,683	8,345	8,575	98,761	97,042	73,400
Repayment of borrowing	41	41	41	41	41	41	41	41	41	41	41	41	486	300	7,200
Other Cash Flows/Payments	700	600	600	700	600	600	700	600	600	800	600	900	8,000		
Total Cash Payments by Type	21,844	22,412	27,176	26,168	28,619	26,166	30,041	29,984	30,998	32,738	32,671	25,746	334,562	338,296	336,011

NET INCREASE/(DECREASE) IN CASH HELD	34,967	(10,685)	28,950	(13,125)	(15,763)	31,709	(15,063)	(17,284)	27,327	(20,681)	(18,010)	(8,456)	3,886	12,814	6,701
Cash/cash equivalents at the month/year begin:	2,527	37,494	26,809	55,759	42,634	26,871	58,580	43,517	26,233	53,560	32,879	14,869	2,527	6,413	19,227
Cash/cash equivalents at the month/year end:	37,494	26,809	55,759	42,634	26,871	58,580	43,517	26,233	53,560	32,879	14,869	6,413	6,413	19,227	25,929

2.11 Contracts having future budgetary implications

We anticipate spending 100% of Conditional grants allocated to the municipality

2.12 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has 5 interns undergoing training in various divisions of the Financial Services Department which has started in October 2016 which will run until September 2018

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA. At the present moment the municipality has merged budget and treasury office with the expenditure division of finance department. And also there are no permanent personnel appointed to work in the budget and Treasury part of the division.

4. Audit Committee

The contract of the Audit Committee ended on January 2017 and the municipality is in the process of appointing new Audit Committee

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be in line with MFMA

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented at the Municipality internal centre which is Finance department in this regard and training is on-going.

2.13 Municipal manager's quality certificate

Municipal Manager's quality certificate



I, MANZI M.P municipal manager of Nketoana Local Municipality, hereby certify that the Final Annual Budget 2017/18 to 2019/20 and supporting documentation have been prepared in accordance with Municipal Finance Management Act and the regulations made under the Act, and that the Final Annual Budget 2017/18 to 2019/20 and supporting documentation are consistent with the Integrated Development Plan of the municipality.

Print Name: MANZI MZWANDILE PENWELL

Municipal manager of NKETOANA LOCAL MUNICIPALITY (FS193)

Signature: [Signature]

Date: 15/06/2017